

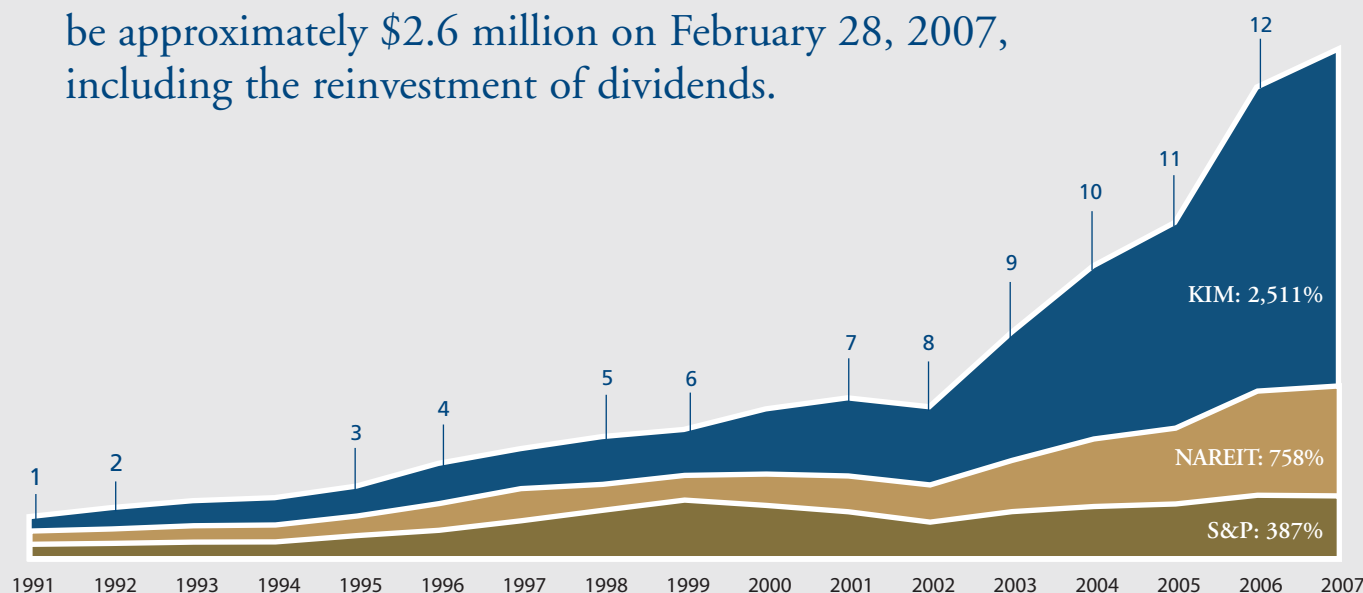
# Kimco Realty Corporation

2006 Annual Report

# HISTORICAL TOTAL RETURN ANALYSIS

(November 1991 to February 2007)

\$100,000 invested in Kimco shares at the IPO would be approximately \$2.6 million on February 28, 2007, including the reinvestment of dividends.



Indexed TRA (November 1991)

Note: Includes reinvestment of dividends

Source: Bloomberg and Ilios Partners

1 Initial Public Offering November 1991  
126 Property Interests

2 Kimco pays first dividend: \$0.44 per share per quarter (pre-splits)

3 First Retailer Services Transaction: Kimco acquires 60 former Woolco store leases

4 Purchased 16 former Clover Stores and simultaneously leased several to Kohl's

5 Merger with Price REIT establishing a national platform

Acquired 94 locations from Venture Stores

6 Kimco forms the Kimco Income REIT (KIR), establishing the Company's investment management business

Legislation signed establishing Taxable REIT Subsidiaries (TRS)

7 Kimco Developers Inc. formed and sells first development project from TRS

Kimco forms joint venture with RioCan REIT and acquires first Canadian shopping centers

8 Kimco acquires first shopping center in Mexico

9 Merger with Mid-Atlantic REIT increases presence in Maryland and Northern Virginia

10 Kimco and institutional investors acquire Price Legacy Corp.

11 Kimco completes property transactions in excess of \$1.2 billion, acquires 1,000th property interest

12 Kimco added to the S&P 500 Index

Acquired Pan Pacific Retail Properties, Inc. and interests in 138 shopping centers

## Company Profile

Kimco Realty Corporation, operating as a real estate investment trust (REIT), is the largest publicly traded owner and operator of neighborhood and community shopping centers in North America. In addition, the Company develops retail properties for sale, invests in real estate-related securities and

mortgages secured by retail real estate and provides capital and expertise to retailers with surplus real estate.

Kimco held its initial public offering in November 1991 and has generated a total annualized return for shareholders, including the reinvestment of dividends, of 23.8% through February 28, 2007.

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“The only constant is change. To adapt to change, you must be innovative and constantly seek new opportunities.”

**Dear Fellow Shareholders, Partners and Associates:**

This past November marked our 15th anniversary as a public company. At the time of our IPO in 1991, I kept thinking about the opening lines of *A Tale of Two Cities* – “It was the best of times, it was the worst of times.”

That period was the best of times – available real estate cash flow yields were in the double digits. It was the worst of times as capital was so scarce. Real estate investors could reap tremendous investment returns – if only they could find the capital! Just prior to our IPO, the banks closed their doors to real estate lending. An entire industry – the savings & loans – virtually disappeared and has yet to re-surface. Our IPO price, split-adjusted, was \$4.44 – only eight times the next year’s projected funds from operations (FFO), and our stock carried an 8.6% dividend yield. The total offering was \$128 million, and involved a three-week road trip; we barely squeaked through! Insiders had to buy new shares to make it happen, and the stock traded down after the closing.

And now, 15 years later, once again it is the best of times, and it is the worst of times! It’s the best of times in that we are enjoying a veritable flood of global liquidity; capital remains abundant and much of it thirsts for commercial real estate. The total market cap of all REITs at the time of our IPO was less than \$10 billion, but today there are many REITS that *each* have market caps in excess of that. While it required a three-week road show to raise \$128 million 15 years ago, we were able to raise \$400 million in just one hour at the time of our admission to the S&P 500. And yet it is also the worst of times in that commercial real estate, today, is being offered at prices that would make it difficult for us, as buyers, to generate the kind of investment returns that our shareholders expect. Our world has gone topsy-turvy!

What has remained constant, however, are our dual commitments to our loyal shareholders: To provide a very safe and growing dividend and to provide solid growth in per share FFO and enterprise value. And, equally as important, we seek to meet these commitments by assuming only a modest amount of risk.

In this letter, I would like to share with you our program and strategy that we believe will enable us to continue to honor these commitments despite today’s low initial yields on commercial real estate. Our complementary businesses are, of course, a key ingredient in allowing us to achieve our objectives; so, let’s discuss them.

## Core Shopping Center Business:

First, our core shopping center business provides us with a solid foundation for dividend and cash flow stability, along with steady long-term growth. This business provided 60% of Kimco's FFO in 2006. Our occupancy at December 31 was at an all-time high, at 95.5%, which is reflective of strong tenant demand for our space and enhances the opportunities to mine our core real estate portfolio for value-creating projects, including redevelopments. But before providing more detail, I would like to offer some historical perspective.

Kmart filed for bankruptcy in January of 2002, and as a result, our Company had to deal with vacant Kmart boxes that, in the aggregate, negatively affected over 10 million square feet of our shopping center portfolio. Our occupancy plunged to 84%. Kimco had more vacant space than the total square footage owned by many of the shopping center REITs that were then public. Our priority was to increase occupancy through leasing or selling the vacant Kmart; this absorbed a significant amount of our energy for close to four years. But we were ultimately successful. Today none of our remaining Kmart properties are vacant, and we have been able to focus all of our time and energy on creating value, both in our existing portfolio and in our other business initiatives.

Permit me a brief comment on Kmart before we continue. I was a member of the Creditors' Committee of Kmart during the bankruptcy proceedings, and at that time, Kmart was suffering very substantial monthly cash flow losses. There were even concerns that Kmart might become administratively insolvent. Kmart's management did not have a significant financial stake in the business. But Eddie Lampert saw Kmart's potential, and he invested substantial sums in the retailer, gained control, and began managing as an owner. What a difference in the outcome for Kmart – and for Kimco, a significant portion of our lost rent was substantially mitigated by our receipt of Kmart shares in payment of our claims! I firmly believe that a business run by owners with a large stake in its success has an enormous leg up on companies where management does not. An illustration: In the tough, fiercely competitive supermarket business, three of the most outstanding chains are all private – HEB, Wegmans and Publix. We, at Kimco are proud of the fact that the management of your Company continues to maintain a very substantial stake in the ownership of the business.

While never forgetting the past, let's now look ahead. Today we have a significant number of new opportunities within our core shopping center portfolio to further our dual commitments to our shareholders for a safe, growing dividend, and growth in FFO and enterprise value.

We believe that our type of shopping center is a superb long-term investment. The ratio of land value to building value is unusually high compared to offices, apartments and large regional malls. There is generally at least four times as much land as building, and the buildings are mostly of one-story construction. Thanks to changing demographics and economic growth, land values have appreciated and, in many instances, the land can support higher and better uses than simply retail space. This redevelopment strategy, of course, is much more effective when our vacancies are less than 5% instead of over 15%!

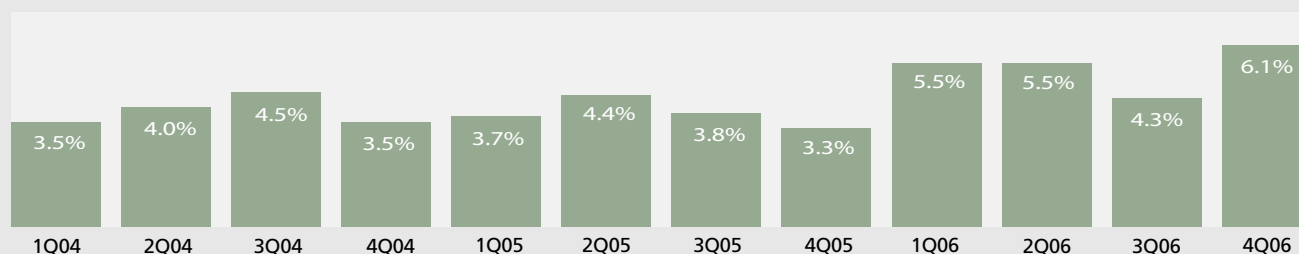
One of many examples that comes to mind is our purchase of Factoria Mall located in the City of Bellevue in the Puget Sound region. Built initially in the 1970s, the property comprises 529,000 square feet of retail space. We felt the property could be redeveloped opportunistically by increasing

the density and adding new uses to an asset that has enjoyed a flourishing retail environment. The result is a reconfigured site plan that adds over 150,000 square feet of additional retail gross leasable area (GLA), 400 residential housing units and a new prototype Safeway and Target, along with a promenade of shops and restaurants with a lifestyle theme.

So our core portfolio is very sound. This is evidenced by our stable and steadily increasing same site net operating income (NOI) growth, which reached 6.1% in the fourth quarter of last year; we do not include lease termination fees, straight-line rent or other GAAP adjustments in same site NOI growth. The following chart provides more detail.

### SAME SITE NOI GROWTH

(in percent)



While we are proud of this performance, we also work very hard to continually improve the quality and growth prospects of our core portfolio. We cull from our portfolio those properties that don't fit our long-term strategy. In the last three years, we sold 74 properties, including 19 in 2004, 21 in 2005 and 34 in 2006.

Also, being very mindful of risk, we have designed our core shopping center strategy to mitigate risk through asset, tenant and geographic diversity.

- 1. Asset Diversity.** We have interests in over 1,000 properties, with no single asset accounting for more than 1% of our total gross assets.
- 2. Tenant Diversity.** Only four tenants account for more than 2% of our rental revenue; these include Home Depot (3.8%), TJX (3.1%), Sears (2.9%) and Kohl's (2.4%) – all good credits.
- 3. Geographic Diversity.** We are geographically diverse, as we own assets both inside and outside the U.S.; last year approximately 9% of our FFO cash flows came from Canada and Mexico.

Canada has substantial natural resources per capita and enjoys a strong and stable economy. Mexico, as an investment opportunity is less well-known to some of you, so let me provide a few thoughts. The all-important middle class in Mexico is growing and is being served by an ever-increasing number of retailers. Our major tenants there include Wal-Mart, H-E-B and Home Depot. Mexico has the 13th largest economy in the world, and projections suggest that by the year 2040, it will be the fifth largest. It enjoys a growing population, and there is a shortage of quality retail space. In fact, there is only 1.2 square feet of retail space per capita in Mexico, compared to 20.1 square feet of retail space per capita in the U.S. Currency risk is mitigated by lease provisions that have annual cost-of-living adjustments. We have also begun to invest in Chile, and we are also exploring prospects in other neighboring Latin American countries as well.

We understand, of course, that sometimes favorable investment opportunities will disappear quickly – but can be re-created. Our initial shopping center investments in Canada presented us with unleveraged cap rates that were higher than what was available in the U.S. and, with non-recourse debt leverage available, we enjoyed borrowing rates that were lower than those prevailing in the U.S. As of now, however, our arbitrage advantage in Canada has diminished substantially. We have responded to this challenge by refocusing our efforts in Canada upon development activities; this provides us with a better yield, even when development risk is taken into account.

### Investment Management Services

In 2006, our investment management services business contributed 15% of our FFO, and this business has been growing rapidly. I'd therefore like to spend a bit more time discussing the prospects for this business in the context of today's capital markets. Today's hunger for commercial real estate – and its pricing – seems to be a topic that everyone wants to talk about. Are we at an inflection point in the commercial real estate markets? Are prices too high? No one can answer this question, of course, except with hindsight, but I think they are not. From a historical perspective, while commercial real estate prices have risen dramatically, I believe that a substantial part of the rise is simply because this asset class has, for many years, been significantly undervalued by investors, and valuations are now becoming more realistic. Global investors, I would add, have been accustomed to the lower returns for some time.

Of course, even modestly liquid markets tend to be somewhat efficient. Accordingly, much of this prior "cheapness," relative to today's prices, can be explained by some problematic aspects of commercial real estate investments, which have only recently abated. These have included low liquidity, difficulties and complexities in managing directly-owned properties and property portfolios, poor transparency, and the oft-recurring threat of over-supply of newly-developed real estate.



Milton Cooper  
*Chairman and Chief Executive Officer*

“Our mission is to provide a safe, growing dividend for those shareholders who desire income, and appreciation for those who desire growth and value.”

As a result, despite the generally stable cash flows and healthy long-term total returns, prior allocations of capital by institutions to commercial real estate were very low, only a tiny fraction of their total investment portfolios. Today, however, pension funds and other large investors are significantly increasing their real estate allocations – and this is certainly affecting pricing. But it's very important to understand that there is a strong foundation for these increasing allocations. This foundation is built upon greater liquidity, better transparency (perhaps helped by more widely available property information), more efficient property and asset management alternatives and, perhaps, a lower risk of overbuilding due to better market information.

I believe that all of these changes in the commercial real estate landscape have decreased the risks of ownership and have enabled investors to reduce their risk-adjusted return requirements to somewhere in the 6%-7% range for core, high-quality assets. Some have suggested that, today, an “appropriate” return on high-quality commercial real estate should be somewhere between the returns on bonds and on non-REIT equities. If so, on a relative risk-adjusted basis, commercial real estate today may not be overpriced. As of this writing, the 30-year Treasury bond has a yield of 4.6%, with a substantial risk to the purchasing power of the dollars to be received at maturity (the “residual value”).

One may reasonably conclude that many quality commercial real estate assets merit a lower initial cash yield, or cap rate, than Treasury bonds if one believes, as I do, that its residual value 30 years hence will have greater purchasing power. Consider, too, that the P/E ratio on the S&P 500 index is presently 16 times (based upon estimated earnings over the next 12 months), which equates to a 6.2% cap rate – on a *leveraged* basis. As the volatility of stocks has historically been higher than that of real estate, perhaps stocks’ leveraged “cap rate” *should* be higher than cap rates for high-quality, commercial real estate.

This increased commitment to commercial real estate as a strong asset class and portfolio diversifier is driving our investment management services business. The assets of this business have grown from \$1.4 billion to \$14 billion in just the last five years and, while institutional investor interest will ebb and flow over time in response to a number of variables, I think we are still in the early stages of an increasing long-term commitment to this asset class by these institutional investors. Even more important for our shareholders, we believe that our reputation, experience, size, track record and long-standing retailer relationships provide us with a competitive edge in this relatively new industry.

This institutional trend has been mirrored in the world of public real estate. Today, the REIT industry’s total market capitalization is over \$400 billion, compared with less than \$10 billion at the time of our IPO in 1991. The democratization of the ownership of real estate through the REIT format has created a new universe of investors, both individual and institutional. There has been superb transparency for the investor, and there has also been a relatively insignificant number of governance issues. Foreign REITs have now become a part of the global real estate landscape.

## Other Business Units

We also have been successful in our other real estate-related businesses, which have made substantial contributions to our earnings and dividend growth. These business units are covered in some detail in the accompanying letter of our splendid associates, Dave Henry, Mike Flynn and Mike Pappagallo. Their letter also explains why 2006 was such a successful year for Kimco and our shareholders.

## Peering Into the Future

When I was a young boy, my mother pleaded with me to finish everything that was on my plate because people were starving in Europe and it would be a sin to waste food.

While our shareholders are not starving, they have a very hearty appetite for new and value-creating opportunities, and we are driven to take advantage of every such opportunity. Some of these opportunities are unusual, and go beyond shopping centers, which are our core expertise, but we *do* understand real estate – and we *do* understand risk. How will we approach these opportunities? Many, of course, will be like those we have exploited successfully throughout our history. But others will be unique and, for them, we may form new joint ventures with experienced and talented individuals or organizations outside the Kimco organization. We have worked hard, over many years, to cultivate these imaginative real estate entrepreneurs, both here and abroad. Such a joint venture strategy can eliminate the need to add significantly to overhead and limits our risk but also enables us to provide appropriate incentives to our creative joint venturers. So, as we find new investment opportunities, we will carefully and conservatively review and underwrite them. If we are satisfied that our downside risk is modest, we will seize the opportunity. We won't be "betting the ranch" on any of them and will invest only if we believe that the prospective returns will be outstanding when balanced against the risk.

But the world, of course, is continually changing, and business is becoming ever more global in scope. If we are to remain an opportunistic organization, constantly creating value for our shareholders, we must continue to be flexible and adapt quickly to these ever-changing real estate and business dynamics.

### My Thanks

I have tried, in this letter, to explain what we are doing here at Kimco to fulfill our commitment to provide our shareholders with growing cash flows, property values and dividends in a low-return world – without assuming undue risk. We have tried to capture the best opportunities and, at the same time, limit our risk. Our resources for accomplishing these objectives include our deep and talented organization with strong execution skills and a business strategy that focuses on innovation and diversity. We are proud of our wide array of profitable businesses and our asset diversification among many tenants and locations, here and abroad. We will continue to work very hard to justify your continuing confidence in Kimco.

In closing, I want to thank all of our directors and associates at Kimco for their tireless dedication, without which even the best business strategy would be worthless. Thanks, too, to our numerous partners, who have placed in us their faith and confidence. And, as always, we are ever grateful to our loyal shareholders – Kimco is truly a company in which all of us can be proud!

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Cooper". The signature is fluid and cursive, with a large initial "M" and "J".

## “Kimco’s growing portfolio of owned and managed retail properties is the largest in the industry.”

### Dear Fellow Shareholders, Partners and Associates:

As we have every year since our inception, we have used our creativity and knowledge of commercial real estate to generate yet another outstanding year for Kimco. It was a record year in terms of revenues, net income, earnings per share, funds from operations (FFO), FFO per share and dividends per share. Some of the highlights for the year ended December 31, 2006, are as follows:

- Net income increased 17.8% to \$428.3 million from \$363.6 million. On a diluted common share basis net income for the year increased 11.8% to \$1.70 compared to last year’s \$1.52 per diluted share.
- Funds from operations, a widely accepted supplemental measure of REIT performance, were the highest in your Company’s history, rising 17.1% to \$544.3 million from \$464.7 million. On a diluted per common share basis, the increase was 10.5% to \$2.21 from \$2.00 a year ago.
- Occupancy in the Company’s combined operating portfolio encompassing approximately 138.0 million square feet of gross leasable area was 95.8%, 70 basis points higher than last year.
- The acquisition of properties and investments for your Company’s core holdings portfolio, investment management programs and operating businesses totaled more than \$6.5 billion. This figure includes the acquisitions of Pan Pacific Retail Properties, Inc. (\$4.1 billion) and the agreement reached during 2006 to acquire the Crow Holdings portfolio (\$920 million).
- Our international expansion continues. In addition to Canada and Mexico, the Company formed a joint venture with an established Chilean retail developer, PATIO Gestion Inmobiliaria, S.A.

The Company continues to have one of the strongest balance sheets in the real estate industry, which helps us maintain our A- corporate debt rating. In addition to \$345.0 million in cash, our unused credit facilities exceed \$1.1 billion.

As we look back on your Company’s performance over our first 15 years as a public company, we are proud of what we have accomplished. While gratified, we are also mindful that, our associates and shareholders may wonder: Will Kimco’s performance be as strong in the future as it has been in the past? In other words: Can the Company continue to deliver?

We believe the answer, in a word, is: Yes.

### Real Estate: More Than Bricks and Mortar

There are parts of a commercial real estate business that everyone can see: the bricks, mortar and land. An underappreciated fact is that real estate, as much as any other business, is one of human creativity and imagination powered by a potent, powerful intangible: *knowledge*.



“Harvesting the value of a dream portfolio asset, is the expertise of Kimco’s redevelopment team.”

Michael J. Flynn  
Vice Chairman, President and Chief Operating Officer

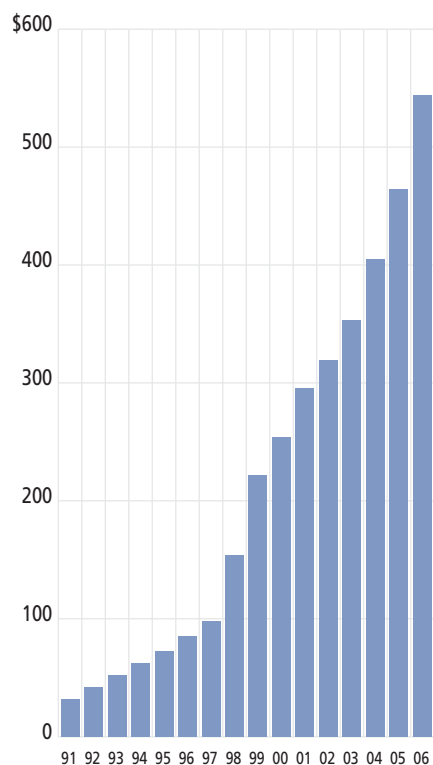
The elements involved in making any commercial property buying decision are knowledge-based. We assess area demographics; tenants and prospective tenants and their long term viability; our relationships with retailers; current leases and renewal dates; potential new lease market rates; the expected internal rate of return and our cost of capital.

To be able to respond wisely to unknown future variables, our business decisions rely on our overall knowledge of general market conditions and the commercial real estate market and our best judgment of where a particular property is in the current real estate cycle; likely future uses (including potential

mixed-use); tenants for the properties; and, of course, our well-developed, well-honed expertise and experience. So while buying a shopping center or land for development is comparatively easy, buying the *right* property, with the *right* tenants (or likely tenants), holding the *right* leases, at the *right* prices, at the *right* time in the market cycle distinguishes an effective, successful commercial real estate operator from one that is not.

## FUNDS FROM OPERATIONS

(in millions)



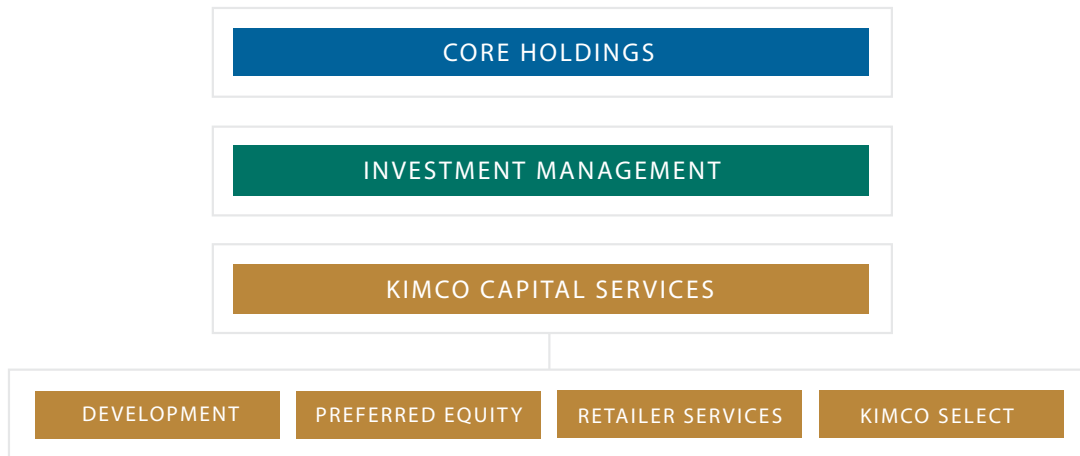
Our knowledge of real estate became even more valuable after the passage of the REIT Modernization Act which allowed us to create taxable REIT subsidiaries beginning in 2001. It was the catalyst allowing us to think – and move – beyond the traditional buy-and-hold or build-and-hold REIT model.

The ability to enter into taxable business ventures meant that your Company now:

- 1) Develops properties as a merchant builder realizing the value created by selling;
- 2) Finances retailers in need of capital and seizes opportunities created in bankruptcies; and
- 3) Capitalizes on our knowledge and skills to develop adjunct or complementary businesses.

Again, because real estate is as much a knowledge business as it is one of bricks, mortar and land, we gave thoughtful consideration to the steps we might take to ensure that we meet our dual commitments of growing our dividend and increasing shareholder value within a framework that is non-negotiable for us: prudent risk management and a sound capital structure.

During 2006, we hosted an event for institutional investors during which we outlined our strategy for the continued growth of your Company well into the future. We summarized our business into three platforms as follows:



1. Core Holdings – Comprised of the bulk of our U.S. and international shopping center portfolio, we seek continuous improvement and quality enhancement of our core portfolio;
2. Investment Management – We acquire, operate and manage shopping centers on behalf of institutional investors to leverage our infrastructure and increase Kimco’s return on equity; and
3. Kimco Capital Services – We employ an array of complementary business activities, from merchant building to opportunistic investing that capitalize on more than 45 years of knowledge and relationships in real estate.

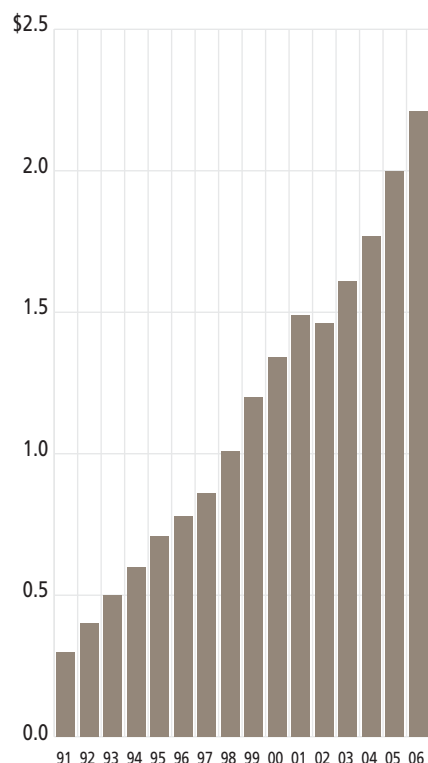
“Our operating businesses are built on our experience, expertise and knowledge of the retail shopping center business.”



David B. Henry  
Vice Chairman and Chief Investment Officer

## FUNDS FROM OPERATIONS

(per diluted common share)



## Core Holdings Portfolio

Our core holdings portfolio, including our growing international portfolio, is the foundation of everything we do. This portfolio provides a constant, reliable source of income from our shopping centers and operating properties in the U.S. and abroad.

Our shopping centers are located in heavily-trafficked thoroughfares with parking facilities that are generally four times as large as the buildings themselves. We seek to add attractively priced shopping centers that meet our investment criteria: below-market leases; anchor stores in the top 25% of the retailer's chain; good demographics; high barriers to entry; and redevelopment and expansion potential.

Hylan Plaza Shopping Center in Staten Island, New York, is a good example of just such an acquisition in 2006. Recognizing the value of the single property owned by Atlantic Realty Trust, we patiently acquired stock in the REIT over several years. In March 2006, we purchased the remaining outstanding shares of Atlantic completing the \$82 million acquisition. This asset is located in the fastest-growing borough of New York. Anchor leases at this 358,000 square foot shopping center have short to

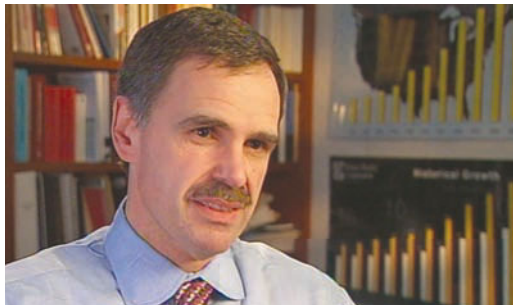
intermediate terms remaining and in-place rents that are substantially below market. When we recapture the space, rents from this property will increase five fold.

Some of our properties we've held for years. As conditions and circumstances change, we will sell those shopping centers that have become marginal or unproductive. For the other properties, changing circumstances create an opportunity to create added value. Older properties in strong locations can be enhanced, making them more profitable through expansion and/or redevelopment.

When evaluating these properties, measures we consider include: the current and potential retailer mix to ensure that we have the right retailers in place to serve customers; possible expansion via mixed use (*e.g.*, build rental apartments over the retail spaces); and evaluation of which long-time tenants holding below-market leases are amenable to buy-outs so that we can fill the space with new tenants paying the current, higher market rates.

We currently have 27 active redevelopment projects underway with a total anticipated investment of \$125 million for 2007. By redeveloping and refreshing properties, we "pick low-hanging fruit" and continue to generate above average growth in net operating income from our existing pool of assets. We continuously review the entire portfolio for these opportunities.

Internationally, our core holdings portfolio consists of 37 shopping centers totaling 8.1 million square feet of GLA in Canada and 12 stabilized shopping centers totaling 2.1 million square feet of GLA in Mexico. The value of our Canadian properties is well in excess of \$1.0 billion. Given the



Michael V. Pappagallo  
*Executive Vice President and Chief Financial Officer*

“Today Kimco owns or manages 175.4 million square feet of gross leasable area. Our size and scale are unmatched in the retail shopping center business.”

cap rate compression that has occurred in Canadian markets, it is likely that our preferred equity and investment management businesses will continue to be more active than new acquisitions in our core holdings. Canada is a nation with vast natural resources and a growing population, and we continue to look for opportunities to add to our portfolio selectively.

Our portfolio of shopping centers in Mexico continues to grow as we complete development projects that were started in 2005 and 2006. In addition to our 12 stabilized shopping centers, we have 17 centers under development with a projected total investment on completion of \$563 million. Our investment committee has approved 23 additional projects for Mexico representing \$528 million of future investment.

Our enthusiasm for real estate in Mexico extends beyond retail. In 2005 we acquired a 50% interest in a portfolio of 57 net leased industrial buildings through a partnership with American Industries, a premier developer and owner of industrial facilities in Mexico. The partnership has added four additional buildings and is generating superior FFO returns on our investment.

Puerto Rico represents an excellent opportunity to add value to our core holdings. During 2006, we completed the acquisition of seven shopping center properties totaling 2.2 million square feet for \$452 million. Active retailers and retail formats in Puerto Rico are very similar to mainland U.S. shopping centers so transition to this new market has been smooth. Having established a beachhead and put an executive on the ground in Puerto Rico, we can now introduce our other business platforms to the market. In fact, we have already agreed to fund our first preferred equity transaction on the island.

### **Kimco Investment Management**

The current acquisition environment for U.S. shopping centers is challenging. It is difficult to find high-quality shopping center properties which generate an internal rate of return that is above our cost of capital. This challenge has prompted a vigorous response from us: expand our asset management business.

Knowledge developed by operating shopping centers for over 45 years has real economic value, value that can be unlocked in the form of delivering management expertise to institutional partners that desire increased investment performance and diversification from an allocation to direct real estate ownership in their portfolios. We now have more than 15 institutional partners, most being



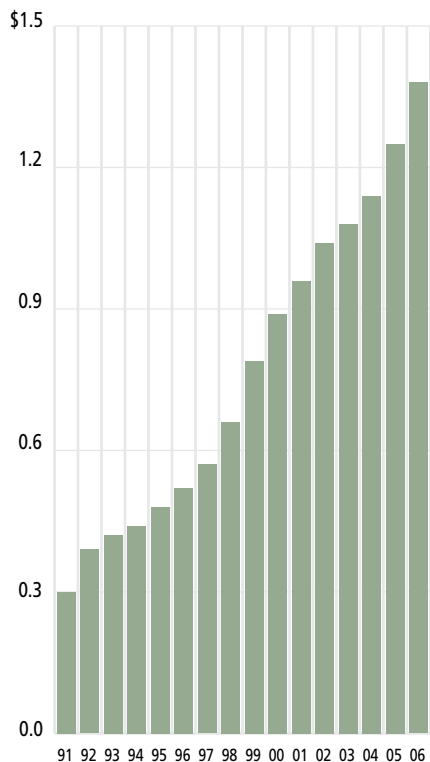
“KDI’s philosophy is to maximize profits while reducing risk. We utilize a group of joint venture partners and local developers to identify the properties before we invest.”

Jerald Friedman  
Executive Vice President

insurance companies and pension funds with future liabilities to fund. When we co-invest with these partners we enjoy greater total returns because our management agreements provide various fee structures as well as the opportunity to earn performance-based promoted interests. Kimco’s investment management business contributed approximately \$114 million to FFO for the year, an increase of 56% over 2005.

## DIVIDEND GROWTH

(per common share)



Among the co-investment partnership agreements we struck in 2006, two are especially noteworthy, the acquisition of Pan-Pacific, and our agreement to acquire Crow Holdings retail portfolio.

Pan Pacific Retail Properties, Inc. was a California-based REIT with 138 shopping centers located throughout California, Nevada and the Pacific Northwest. The properties were highly regarded by institutional investors because of their location in quality markets and stable cash flow. After finalizing the purchase price, Kimco quickly partnered with Prudential Real Estate to complete the acquisition in a single transaction. The benefits to Kimco are clear. We were able to acquire a high quality \$4.0 billion real estate company and expect to generate a high return on our equity investment, while adding to our presence in high growth California markets.

Also with Prudential, Kimco agreed to acquire Crow Holdings retail portfolio for approximately \$920 million as part of a larger transaction between Crow Holdings and GE Real Estate. At the time the properties were marketed, Kimco owned a minority position in seven of the 19 properties. We leveraged our knowledge of these properties and our relationships with Crow, GE and Prudential to negotiate a successful transaction and acquired the portfolio early in 2007.

“The deals are structured so Kimco receives a return of capital prior to our partners returns. Our exposure is less than the market value of the property.”



JoAnn Carpenter  
Vice President

We now manage approximately \$14.0 billion of shopping centers in which we hold an economic interest. As evidenced by the speed with which we completed these transactions, Kimco has been extremely successful finding co-investment partners. These partners recognize that our extensive real estate knowledge is critical to the long-term success of their – and our – investment. For our part, our capital commitments are smaller, limiting our risk while leveraging our operating infrastructure. An additional benefit is that management fees are a priority distribution in the cash flow of a property, enhancing the safety and predictability of the income stream. This is another example in which our applied real estate knowledge earns the return that we require. Our management fees enhanced your Company’s total return, and we plan to continue to expand our asset management business in the future.

## Kimco Capital Services

Because commercial real estate is a dynamic, constantly changing business, we developed several businesses over the past few years by seizing opportunities that we recognized very early to be the “tips of the icebergs” of potentially profitable business lines. Four have become substantial since 2001 and are now businesses in their own rights:

### *Merchant Development*

Among the happy by-products of our Price REIT acquisition in 1998 was the acquisition of a first-class development team. Following the passage of the TRS legislation, we formed Kimco Developers Inc. (KDI) which leverages our knowledge of real estate along with our extensive network of retailer relationships and connections.

## COMBINED MAJOR TENANT PROFILE

(ranked by annualized base rent)

Tenant Name <sup>(1)</sup>	# of Locations	Leased GLA (in thousands)	% of Leased GLA
HOME DEPOT	40	3,260	4.7%
TJX COMPANIES	124	2,336	3.4%
SEARS HOLDINGS	52	3,466	5.0%
KOHL'S	36	2,435	3.5%
WAL-MART	34	2,362	3.4%
BEST BUY	42	1,055	1.5%
LINEN 'N THINGS	33	603	0.9%
ROYAL AHOLD	32	927	1.3%
BED BATH & BEYOND	50	846	1.2%
COSTCO	17	1,287	1.9%
		18,577	26.8%

(1) Schedule reflects the ten largest tenants from all tenant leases in which Kimco has an economic ownership interest at their proportionate ratios. Represents approximately 12,800 leases to 7,200 tenants totaling approximately \$1.3 billion of annual base rent.



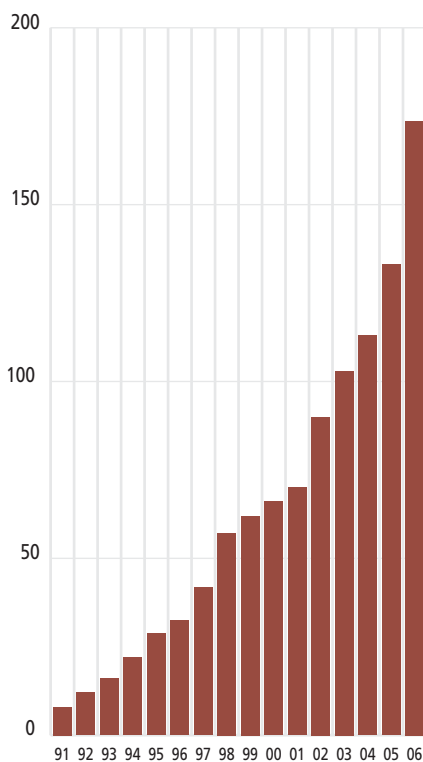
“We invest in private equity opportunities through innovative sale leaseback and leasehold financing transactions.”

Ray Edwards  
Vice President

Our development model is unique in our industry because KDI pursues joint venture opportunities with regional partners who have experience and knowledge of their local markets, entitlement processes, construction practices, and neighborhood trends and demographics. While a local developer may have relationships with one or several retailers, Kimco’s relationships include virtually every national retailer in the U.S. Thus, in addition to capital, we are able to offer leasing assistance with appropriate national credit tenants in advance of construction, which mitigates downside risk.

## GROSS LEASABLE AREA

(square feet in millions)



Thanks to Kimco’s retailer relationships, we often become aware of planned expansion to new markets and planned store openings. When we target this kind of an opportunity, our *modus operandi* is to gain advance retailer commitments, partner with local developers, buy the land and develop a new property from the ground up.

During 2006 we refined our model in order to maintain an economic interest in high-quality, well-located developments that we would prefer to hold well into the future. For example, we were able to marry a recently completed development, Cypress Towne Center in Cypress, Texas, with one of our institutional partners. This is a wonderful win-win for both us and our partner. We retain an ownership interest and a long-term management contract in addition to recognizing a portion of the developer’s profit, and our partner acquires a high-quality, long-term hold property.

In aggregate, KDI recorded property and development sales of \$260 million for the year and recorded gains on sales of \$25.1 million, a 10.1% increase from 2005. The ability to continue generating profits from KDI is promising; the current active pipeline of projects consists of 28 quality developments totaling approximately \$1.2 billion.

### *Preferred Equity*

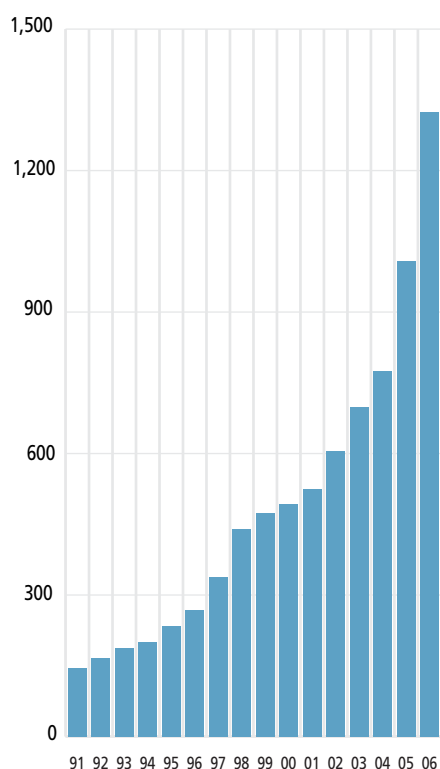
In our preferred equity program, we provide joint venture capital to strong regional and local owners and developers of real estate. In exchange, Kimco receives a preferred return on our invested capital. This preferred position allows us to split profits on the upside while protecting your Company on the downside.

In one of our recent preferred equity transactions, we accumulated an interest in 16 self-storage facilities with an experienced partner over a three year period. In 2006, we liquidated our investment, recovering our initial investment, which averaged \$8.2 million over the life of the transaction, plus \$7.9 million, representing a 33.4% internal rate of return.

Today our preferred equity investments are diversified with properties spread over 22 states and seven provinces in Canada. The majority are in suburban areas with strong demographics. Our average investment per property is only \$2.0 million, and our exposure is always less than the underwritten value of the property.

We currently have \$400 million of preferred equity investments on the books, an increase of \$174 million for the year. Volume in this business has increased every year as current partners bring us repeat business. In addition, we are steadily adding new preferred equity partners which recognize the value of teaming up with one of the largest retail property owners in the world.

### **TOTAL PROPERTY INTERESTS**



### *Retailer Services*

Distressed retailers, including those in bankruptcy, benefit from the assistance that our retailer services business delivers. There is something for both sides when we step in to help retailers dispose of properties and/or leases to maximize the asset values. We have the capital, should it be needed, and the most extensive network of retailer relationships and connections of any REIT operating today. Creative work-out arrangements have included secured financing, sale-leaseback and leasehold financing, asset designation rights agreements, liquidation services and acquisitions.

In 2006, your Company participated in a consortium that engineered the buyout of Albertson's Inc., an underperforming grocery chain that was one of the world's largest food and drug retailers. The consortium acquired 661 operating grocery stores and other related assets. The value of our investment was secured by the underlying real estate. Early in 2007, we received a cash distribution from the consortium that was more than twice our original investment, proving our underwriting was correct.

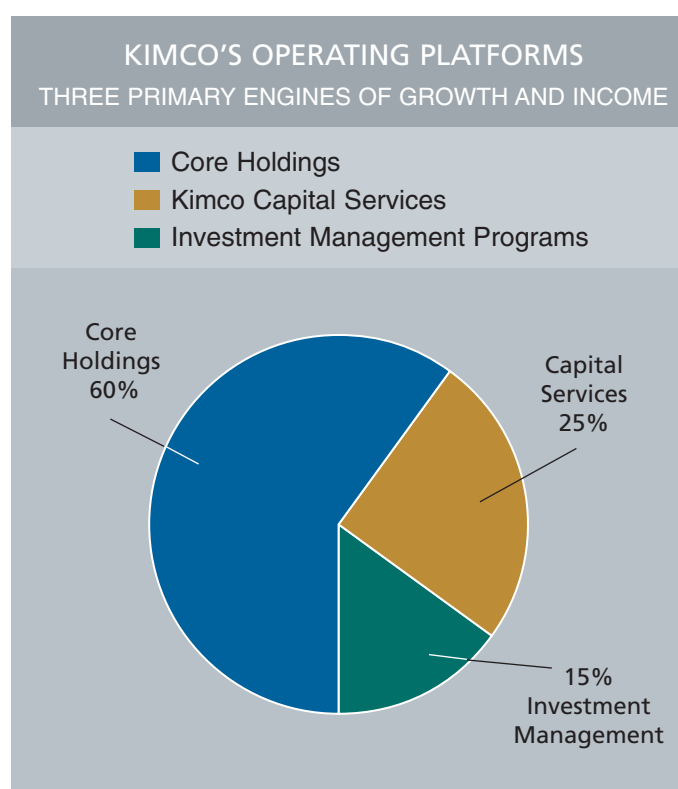
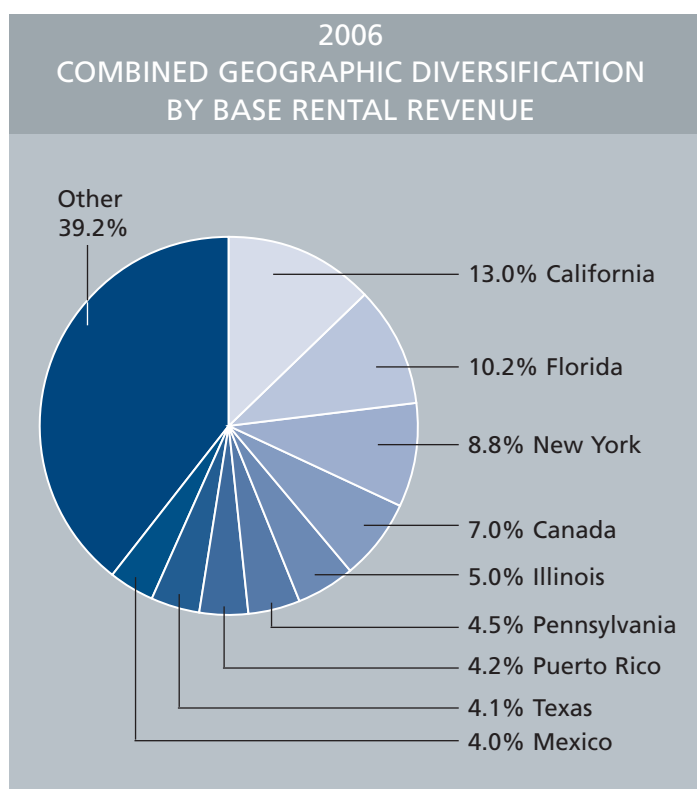
### *Kimco Select*

We created Kimco Select because our keen knowledge of real estate and vast network of contacts periodically makes us aware of opportunities outside of our shopping center specialty area. This business, our most opportunistic, invests in a broad array of non-retail properties and holds investment products and property types mispriced relative to their investment value.

Kimco Select's portfolio includes public securities of real estate companies and retail companies, anything from common and preferred stock to secured and unsecured debentures. We selectively invest in hospitality, industrial, office projects – any asset where we find real estate value and/or arbitrage opportunities.

For example, in 2005 we partnered with Westmont Hospitality Group to purchase a discounted mortgage secured by the Grosvenor Hotel in Orlando Walt Disney World Resort. During 2006, the mortgage was purchased by the property owner at a significant profit to us. In addition, Kimco partnered with Westmont to acquire a portfolio of eight hotels in Canada for \$86 million. Westmont is an experienced hotel operator with a strong track record. We will continue to participate selectively in transactions like this where the risk-adjusted returns meet our underwriting standards.

While many of Kimco Select's investments are short-term; a few are not. Years ago we invested in the Blue Ridge Companies, which owns approximately 16,000 acres of land in the Pocono Mountains area of Pennsylvania. We expect to benefit from the future of residential development of these land holdings.



Our marketable securities portfolio continues to grow both in value (as the market recognizes the underlying value of the real estate) as well as from additional purchases. Likewise, we benefit when mispriced property assets are sold when they reach full value. While these non-retail assets will remain small relative to our core holdings, we expect significant returns when we invest.

## **Bright Future**

Our people, with their creativity and knowledge, are a critical element in Kimco's ability to consistently enter into a broad array of profitable transactions and deliver results year in and year out. An additional element to our success is our structure.

Yes, Kimco has a hierarchy, but we work hard to keep it as flat as possible. This ensures that knowledge and information is widely shared and reaches everyone quickly. Result? Our people are able to make fast decisions, follow through effectively and do what we say we're going to do – powerful advantages in our intensely competitive, constantly changing business.

The pay-off is in our results.

Our core portfolio holdings, including our international assets, grow year after year in value and profitability. Our management business continues to build momentum and attract additional investors. Our complementary business platforms enjoy a constant flow of profitable repeat business. We have the expertise, the assets and the size to take advantage of exceptional opportunities wherever and whenever they occur. The key is that, with our understanding and flexibility, these opportunities are constantly available to us and we are consistently able to transform them into record results.

We close on our 15th year as a public company positioned to deliver growth in earnings and dividends far into the future for our investors, partners and associates.

Sincerely,



Michael J. Flynn  
Vice Chairman, President,  
and Chief Operating Officer



David B. Henry  
Vice Chairman and  
Chief Investment Officer



Michael V. Pappagallo  
Executive Vice President  
and Chief Financial Officer



## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA	Site	Center Name	City	GLA
<b>Alabama</b>				1446	Chico Crossroads	Chico	264,680
9194	Boaz	Boaz	27,900*	1477	Sky Park Plaza	Chico	186,553
740	Bellevue Plaza	Fairfield	103,161	1405	Chino Town Square	Chino	341,577
465	Hoover Center	Hoover	115,347	1406	Country Fair S.C.	Chino	168,264
949B	Mobile Festival Centre	Mobile	375,822	1335	Laband Village S.C.	Chino Hills	73,352
<b>Alaska</b>				1415	Gordon Ranch Marketplace	Chino Hills	128,121
1360	Glenn Square	Anchorage	95,000^	544	Costco Plaza	Chula Vista	356,335
9246	Dimond S.C.	Anchorage	85,163*	1026B	280 Metro Center	Colma	213,532
1108	Kenai S.C.	Kenai	146,759	546	Corona Hills Plaza	Corona	487,048
<b>Arizona</b>				037	Covina Town Square	Covina	269,433
1121	Chandler Auto Mall	Chandler	- ^	1344	Cupertino Village	Cupertino	114,533
1372	Gilbert Esplanade	Gilbert	- ^	186	Westlake S.C.	Daly City	537,496
578	Talavi Towne Centre	Glendale	96,337	1431	Downey S.C.	Downey	114,722
549	Costco Plaza	Glendale	333,388	1451	Dublin Retail Center	Dublin	154,728
1148/A	North Canyon Ranch	Glendale	70,428	1028	Kohl's S.C.	El Cajon	123,343
1024	Marana Ina Road	Marana	191,008	1167	Rancho San Diego	El Cajon	98,474
1553	Marana Spectrum	Marana	- ^	1316	Elk Grove Village	Elk Grove	30,130
679	Poca Fiesta S.C.	Mesa	144,617	1330	Waterman Plaza	Elk Grove	7,880
745	Hayden Plaza South	Mesa	100,929	1440	Bel Air Village S.C.	Elk Grove	89,216
1178	Mesa Riverview	Mesa	829,000^	1461	Laguna Park Village	Elk Grove	34,015
1179	Mesa Riverview	Mesa	- ^	1410	Encinitas Marketplace	Encinitas	119,738
1143A	Mesa Pavilions	Mesa	307,375	1408	Del Norte Plaza	Escondido	132,832
553	Metro Square	North Phoenix	230,164	1469	Northridge Plaza	Fair Oaks	98,625
476	Peoria Crossings	Peoria	- ^	1106	Kohl's S.C.	Folsom	108,255
527	Camelback BMW	Phoenix	16,410	1448	Commonwealth Square	Folsom	141,310
540	Hayden Plaza North	Phoenix	153,180	1442	Brookvale S.C.	Fremont	131,242
557	Costco Plaza	Phoenix	304,331	951A	Fremont Hub	Fremont	504,782
647	Plaza @ Mountainside	Phoenix	131,621	1165	River Park	Fresno	121,107
1539	North Mountain Village	Phoenix	95,329	1480	Victorian Walk	Fresno	102,581
1180	Asante Retail Center	Surprise	- ^	1413	Fullerton Town Center	Fullerton	270,647
1144A	The Groves	Tempe	228,000	1414	Gardena Gateway Center	Gardena	65,987
1023	Valencia Road	Tucson	190,174	1449	Country Gables S.C.	Granite Bay	140,184
9244	Foothills Mall	Tucson	503,084*	1472	Pine Creek S.C.	Grass Valley	217,535
<b>California</b>				1402	Bixby Hacienda Plaza	Hacienda Heights	135,012
541	Costco Plaza	Alhambra	195,455	0977	Oceangate Commerce	Hawthorne	182,605*
106	La Palma S.C.	Anaheim	15,396	9004	Oceangate II Commerce	Hawthorne	21,507*
1401	Anaheim Plaza	Anaheim	345,708	1450	Creekside Center	Hayward	80,911
1403	Brookhurst Center	Anaheim	185,247	1422	Marina Village	Huntington Beach	148,756
1433	Sycamore Plaza	Anaheim	105,085	1317	Gold Country Center	Jackson	67,665
1439	Angels Camp Town Center	Angel's Camp	77,967	551	La Mirada Theater Center	La Mirada	261,782
1453	Elverta Crossing	Antelope	119,998	1418	La Verne Towne Center	La Verne	231,376
1475	Shops at Bakersfield	Bakersfield	14,115	1473	Plaza 580 S.C.	Livermore	104,363
1419	Lakewood Plaza	Bellflower	113,511	1417	Kenneth Hahn	Los Angeles	165,195
1425	North County Plaza	Carlsbad	160,928	1435	Vermont-Slauson S.C.	Los Angeles	169,744
543	Madison Plaza	Carmichael	210,306	1444	Canal Farms	Los Banos	110,535
0269	Devonshire Plaza	Chatsworth	75,875*	1325	Raley's Union Square	Manteca	19,455
1315	East Avenue Market Place	Chico	19,560	1465	Manteca Marketplace	Manteca	171,953
				1467	Mission Ridge Plaza	Manteca	96,393
				1312	Yosemite North S.C.	Merced	27,350
				1445	Century Center	Modesto	214,772
				1476	Shops at Lincoln School	Modesto	77,863
				040	Montebello Town Square	Montebello	251,489



Site	Center Name	City	GLA	Site	Center Name	City	GLA
1474	Rheem Valley	Moraga	163,975	1441	Blossom Valley Plaza	Turlock	111,612
1032	Morgan Hill	Morgan Hill	103,362	1107	Kmart S.C.	Tustin	108,413
1327	South Napa Market Place	Napa	349,530	1420	Larwin Square S.C.	Tustin	210,936
1336	Plaza Di Northridge	Northridge	158,812	1434	Tustin Heights S.C.	Tustin	138,348
1036A	Novato Fair S.C.	Novato	133,862	9074	Tustin Legacy	Tustin	626,000^
1409	El Camino North	Oceanside	366,775	1479	Ukiah Crossroads	Ukiah	110,565
1411	Fire Mountain	Oceanside	92,378	1424	Mountain Square	Upland	273,167
1426	Oceanside Town & Country	Oceanside	88,414	1416	Granary Square	Valencia	143,333
1436	Vineyard Village	Ontario	97,131	1456	Glen Cove Center	Vallejo	66,000
1437	Vineyard Village East	Ontario	45,075	1471	Park Place	Vallejo	150,766
1443	Cable Park	Orangevale	160,811	1466	Mineral King	Visalia	46,460
556	Target Plaza	Oxnard	171,580	1423	Melrose Village Plaza	Vista	136,922
1454	Fairmont S.C.	Pacifica	103,081	1470	Olympia Place	Walnut Creek	114,733
1115A	Linda Mar S.C.	Pacifica	168,871	1429	Pavilions Place	Westminster	208,660
1427	Palmdale Center	Palmdale	81,050	1463	Lakewood S.C.	Windsor	107,769
1452	Eastridge Plaza	Porterville	81,010	1464	Lakewood Village	Windsor	127,237
1195	Poway City Centre	Poway	121,977	1481	Yreka Junction	Yreka	127,148
1412	Foothill Marketplace	Rancho Cucamonga	286,824	<b>Colorado</b>			
1438	Vineyards Marketplace	Rancho Cucamonga	56,019	685	Quincy Place S.C.	Aurora	44,174
1430	Rancho Las Palmas	Rancho Mirage	150,391	689	East Bank S.C.	Aurora	152,282
1326	Red Bluff S.C.	Red Bluff	23,200	682	Village on the Park	Aurora	154,536
1320	North Point Plaza	Redding	21,876	686	Spring Creek S.C.	Colorado Springs	107,310
1447	Cobblestone	Redding	122,091	780	Woodman Valley S.C.	Colorado Springs	61,453
1146	Redwood City	Redwood City	49,429	680	West 38th Street S.C.	Denver	18,405
1374	Tyler Street Plaza	Riverside	86,108	683	Englewood Plaza	Englewood	80,330
1155	Stanford Ranch	Roseville	188,493	367	Fort Collins S.C.	Fort Collins	115,862
1457	Glenbrook S.C.	Sacramento	69,230	1248	Greeley Commons	Greeley	138,818
1460	Kmart Center	Sacramento	132,630	1022	Greenwood Village	Greenwood Village	196,726
1462	Laguna Village	Sacramento	116,668	9209	La Junta	La Junta	20,500*
1478	Southpointe Plaza	Sacramento	189,043	684	Heritage West S.C.	Lakewood	82,581
039	Vista Balboa Center	San Diego	117,410	9180	Toys R Us	Pueblo	30,809
1157	Carmel Mountain	San Diego	35,000	<b>Connecticut</b>			
1421	Loma Square	San Diego	210,604	034	Branhaven Plaza	Branford	191,352
1156,B	Morena	San Diego	411,375	1340	Derby S.C.	Derby	53,346
1432	San Dimas Marketplace	San Dimas	154,020	029	Elm Plaza	Enfield	148,517
1468	Monterey Plaza	San Jose	183,180	548	West Farm S.C.	Farmington	184,572
1455	Fashion Faire Place	San Leandro	95,255	1250	Farmington Plaza	Farmington	24,300
1334	Marigold S.C.	San Luis Obispo	174,428	500	Hamden Mart	Hamden	341,996
759	Magnolia Square S.C.	San Ramon	41,913	554	Home Depot Plaza	North Haven	331,919
559	Home Depot Plaza	Santa Ana	134,400	1251	Southington Plaza	Southington	19,410
1404	Canyon Square Plaza	Santa Clarita	96,662	608	Waterbury Plaza	Waterbury	137,943
1324	Fulton Market Place	Santa Rosa	41,565	<b>Delaware</b>			
991	Santee Trolley Square	Santee	311,437	1089	Camden Square	Dover	4,000
1158	Costco Plaza	Signal Hill	181,250	278	Value City S.C.	Elsmere	114,530
324	The Center	Stockton	152,919	1055A	Milford Commons	Milford	61,100
1458	Heritage Park S.C.	Suisun City	161,851	1038A	Brandywine Commons II	Wilmington	165,805
762	Palm Plaza S.C.	Temecula	342,336				
1149	Redhawk I	Temecula	345,113				
1428	Palomar Village S.C.	Temecula	139,130				
038	Torrance Promenade	Torrance	266,847				
1564	Southwood Village	Torrance	67,504				
1328	Truckee Crossroads	Truckee	26,553				
1459	Heritage Place	Tulare	119,412				

\* Preferred Equity

^ Property under development or land held for development



## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA	Site	Center Name	City	GLA
<b>Florida</b>							
574	Renaissance Centre	Altamonte Springs	233,817	604	Peppertree Plaza	Margate	253,729
636	Pearl Arts S.C.	Altamonte Springs	94,193	127	Nasa Plaza	Melbourne	168,737
1573	Errol Plaza	Apoka	71,615*	668	Shoppes of West Melbourne	Melbourne	144,439
9322	Auburndale	Auburndale	- *	1386	Centre of Merritt	Merritt Island	60,103
101	Camino Square	Boca Raton	73,549	129	Grove Gate S.C.	Miami	104,908
1388,A	Bonita Grande Crossings	Bonita Springs	79,676	134	Coral Way Plaza	Miami	79,273
005	Boynton West S.C.	Boynton Beach	196,717	390	Miller Road S.C.	Miami	83,380
698	Bayshore Gardens	Bradenton	162,997	522	Potamkin Toyota I	Miami	29,166
1152	Lakeside Plaza	Bradenton	30,938	523	Potamkin Toyota II	Miami	17,117
1252	Bradenton Plaza	Bradenton	18,000	524	Miami Lakes Chevrolet	Miami	86,900
011	Plaza at Brandon Town Center	Brandon	143,785	634	South Miami S.C.	Miami	63,604
9185	East Brandon	Brandon	-*^	735	Opa Locka S.C.	Miami	103,161
1387	Coral Pointe S.C.	Cape Coral	127,016	9021	Mall of the Americas	Miami	651,011*
1384,A,B	Shops at Santa Barbara	Cape Coral	42,030	1153	Kendale Lakes Plaza	Miami	402,801
739	Butler Plaza	Casselberry	103,161	1390	Miller West	Miami	63,595
529	Freedom Ford Service Center	Clearwater	75,552	1247	Plantation Crossing	Middleburg	14,000^
0982	Northwood Oaks	Clearwater	84,441*	1192	Miramar Town Center	Miramar	- ^
1186	Curlew Crossing S.C.	Clearwater	207,071	677	Tri-Cities Shopping Plaza	Mount Dora	120,430
623	Coral Square Promenade	Coral Springs	55,597	761	Southgate S.C.	New Port Richey	66,500
673	Maplewood Plaza	Coral Springs	86,342	1379	Cypress Lakes Town Center	N. Lauderdale	250,209
135	Coral Way Plaza	Coral Way	87,305	340	Ives Dairy Crossing	N. Miami Beach	108,795
521	Gold Coast Lincoln Mercury	Cutler Ridge	37,640	665	Shady Oaks S.C.	Ocala	260,435
1385,A	Addison Center	Delray Beach	50,906	263	Argyle Village Square S.C.	Orange Park	50,299
9002	Providence Plaza	Deltona	80,567*	115	Sun Plaza	Orlando	114,434
174	Sports Authority Plaza	East Orlando	131,981	121	Fern Park Plaza	Orlando	131,646
1154	Cypress Creek	Fort Lauderdale	229,034	618	Sand Lake Plaza	Orlando	236,486
1392	Sanibel Beach Place	Fort Meyers	74,286	638	Century Plaza	Orlando	132,856
525	Hialeah Dodge	Hialeah	23,625	749	Lee Road S.C.	Orlando	103,161
150	Oakwood Plaza	Hollywood	50,000	024	Bayhill Plaza	Orlando	179,065
1150, A	Oakwood Plaza North & South	Hollywood	871,723	125	Grant Square	Orlando	84,834
1151,A-C	Oakwood Business Center	Hollywood	137,196	1159	Millenia Plaza	Orlando	154,356
203,B	Homestead Towne Square	Homestead	209,214	1393	Riverside Landings	Oviedo	78,179
141	Southside Square S.C.	Jacksonville	51,002	9022	Flamingo Marketplace	Pembroke Pines	137,259*
207	Regency Plaza	Jacksonville	205,696	9196	Perry	Perry	15,300*
389	Duval Station	Jacksonville	72,840	251	Whole Foods Center	Plantation	57,774
1034	Pablo Creek Plaza East	Jacksonville	74,000^	118	Sample Plaza	Pompano Beach	66,838
1189	Avenues Walk	Jacksonville	45,000^	1126	Palm Aire Marketplace	Pompano Beach	140,312
9174	Beach & Hodges	Jacksonville	- *	716	The Piers S.C.	Port Richey	103,294
619	Marketplace Square	Jensen Beach	173,491	113	Riviera Square	Riviera Beach	46,390
954B	Square One S.C.	Jensen Beach	197,731	392	Seminole Centre	Sanford	159,969
022	Tradewinds S.C.	Key Largo	207,332	171	Tuttlebee Plaza	Sarasota	102,455
613	Vine Street Square	Kissimmee	90,840	378	Southeast Plaza	Sarasota	129,700
9355	Lake Wales	Lake Wales	- *	9086	Landings	Sarasota	148,348*
123	Merchants Walk	Lakeland	229,383	1391	Publix at Northridge	Sarasota	65,320
9062,A	The Groves	Lakeland	85,782	0495	Mariner Village	Spring Hill	69,917*
124	Wal-Mart Plaza	Largo	149,472	1293	Riverside Centre S.C.	St. Augustine	62,942
139	Tri-City Plaza	Largo	215,916	128	Oak Tree Plaza	St. Petersburg	118,979
196	Selmon's Plaza	Largo	56,668	715	Village Commons S.C.	Tallahassee	105,655
120	Reef Plaza	Lauderdale Lakes	115,341	743	Busch Plaza	Tampa	106,986
290-293	Ft. Lauderdale Plaza	Lauderhill	181,416	9031	West Village	Tampa	100,538*
136	Leesburg Shops	Leesburg	13,468	9061	Westgate Plaza	Tampa	100,200*
0489	Grove Market S.C.	Loxahatchee	75,194*	664,B	Carrollwood Commons	Tampa	205,634
				003	The Plaza at Citrus Park	Tampa	340,506



Site	Center Name	City	GLA
1124	Mission Bell S.C.	Tampa	181,253
0507	Wellington Marketplace	Wellington	171,955*
633	Babies R Us Plaza	West Palm Beach	80,845
111/511	Belmart Plaza	West Palm Beach	81,073
1152	Cross County Plaza	West Palm Beach	357,537
208	Chain O' Lakes Plaza	Winter Haven	95,188
1112A,B	Shoppes at Amelia Concourse	Yulee	34,000^
<b>Georgia</b>			
1563	Market at Haynese Bridge	Alpharetta	130,515
635	Augusta Square	Augusta	112,537
9058	Masters Glen	Augusta	258,325*
044,A,B	Augusta Exchange	Augusta	530,915
1552	Riverwalk Marketplace	Duluth	78,025
724	Town & Country S.C.	Marietta	105,405
9268	South Central S.C.	Moultrie	196,589*
185	Savannah Centre	Savannah	187,076
632	Largo Plaza	Savannah	39,725
048	Snellville Pavilion	Snellville	311,033
1030	Lowe's S.C.	Valdosta	175,396
<b>Hawaii</b>			
1331	Kihei Center	Kihei	17,897
<b>Idaho</b>			
1142A	Treasure Valley Marketplace	Nampa	177,000^
1333	Nampa	Nampa	- ^
<b>Illinois</b>			
802	Beltline Highway S.C.	Alton	131,188
896	Arlington Heights S.C.	Arlington Heights	80,040
890	Aurora Commons	Aurora	91,182
1294A	Yorkshire Plaza	Aurora	361,984
051	Wind Point S.C.	Batavia	272,410
808	Belleville S.C.	Belleville	81,490
176	Bloomington Commons	Bloomington	188,250
1111	Oakland Commons S.C.	Bloomington	73,951
825	Northfield Square Mall	Bradley	80,535
836	Calumet Center	Calumet City	159,647
848	Carbondale Mall	Carbondale	80,535
043	Pinetree Plaza	Champaign	111,720
870	Neil Street S.C.	Champaign	112,000
856	87th Street Center	Chicago	102,011
885	Elston Center	Chicago	86,894
846	Countryside Plaza	Countryside	117,005
887	Crestwood Center	Crestwood	79,903
891	Crystal Lake S.C.	Crystal Lake	80,390
1253	Crystal Lake Plaza	Crystal Lake	30,461
764	Downers Grove	Downers Grove	144,770
852	Downers Grove Center	Downers Grove	141,906

Site	Center Name	City	GLA
695A	Butterfield Square	Downers Grove	192,639
224/387	Town & Country S.C.	Elgin	186,432
397	Plaza East	Evansville	192,933
881	Belleville Road S.C.	Fairview Heights	192,073
862	Forest Park Mall	Forest Park	98,371
822	Randall S.C.	Geneva	110,188
153	Greenwood S.C.	Greenwood	168,577
851	Griffith Center	Griffith	114,684
1255	Hillside Plaza	Hillside	18,650
133	Linwood Square	Indianapolis	165,220
1397	The Shoppes at Kildeer	Kildeer	167,477
145	Lafayette S.C.	Lafayette	90,500
671	Sagamore @ 26 S.C.	Lafayette	238,288
697	Lafayette Marketplace	Lafayette	214,876
1256	Lake Zurich Plaza	Lake Zurich	29,938
9215	Lansing Landings	Lansing	320,184*
838	Matteson Center	Matteson	157,885
895	K's S.C.	Mishawaka	82,100
839	Mount Prospect Center	Mount Prospect	192,547
874	Mundelien S.C.	Mundelien	89,692
863	Naper West Plaza	Naperville	102,327
1258	Naperville Plaza	Naperville	18,710
9012	Lauren's Corner	New Albany	10,554*
9013	Blackiston Mill	New Albany	31,753*
9014	Matthews Center	New Albany	22,320^A
845	Norridge Center	Norridge	116,914
835	Oak Lawn Center	Oak Lawn	164,414
337/837	22nd Street Plaza	Oakbrook Terrace	176,263
758	Marketplace of Oaklawn	Oaklawn	94,707
809	Orland Park S.C.	Orland Park	131,546
175	Value City S.C.	Ottawa	60,000
832	Evergreen Square	Peoria	156,067
1184A	Rockford Crossings	Rockford	89,047
1047	Free State Bowls	Rolling Meadows	37,225
1259	Round Lake Beach Plaza	Round Lake Beach	21,000
492	Streets of Woodfield	Schaumburg	629,377
694A	East Woodfield Square	Schaumburg	- ^
9198	Shelbyville	Shelbyville	14,150*
854	Skokie Pointe	Skokie	58,455
883	Erskine Plaza	South Bend	81,668
183	Erskine Village	South Bend	134,414
897	Streamwood S.C.	Streamwood	81,000
9192	Tell City	Tell City	27,000*
886	Lake Plaza	Waukegan	90,555
1261	Waukegan Plaza	Waukegan	18,843
563	Woodgrove Festival	Woodridge	161,272
<b>Indiana</b>			
1262	Merrillville Plaza	Merrillville	39,102
777	South Third Street S.C.	Terre Haute	73,828

\* Preferred Equity

^ Property under development or land held for development



## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA
<b>Iowa</b>			
812	Clive Plaza	Clive	90,000
1362	Metro Crossing	Council Bluffs	- ^
858	Davenport Center	Davenport	91,035
757	Home Depot S.C.	Des Moines	149,059
874	Dubuque Center	Dubuque	82,979
9208	Fort Dodge	Fort Dodge	33,700*
9188	Keokuk	Keokuk	10,160*
9210	Marshalltown	Marshalltown	22,900*
9203	Newton	Newton	20,300*
9204	Oskaloosa	Oskaloosa	20,700*
9189	Ottumwa	Ottumwa	22,200*
813	Home Depot S.C.	Southeast Des Moines	111,847
811	Waterloo Plaza	Waterloo	104,074
9199	West Burlington	West Burlington	26,100*
9324	Bridgewood Plaza	West Des Moines	53,423*
<b>Kansas</b>			
814	Tall Grass Center	East Wichita	96,011
805	Home Depot Center	Overland Park	120,164
736	Topeka S.C.	Topeka	103,161
815	Shopko S.C.	West Wichita	96,319
751	Wichita S.C.	Wichita	103,161
561	Westgate Market	Wichita	133,771
<b>Kentucky</b>			
267	Kroger S.C.	Bellevue	53,695
1263	Florence Plaza	Florence	38,963
1102A	Turfway Crossing	Florence	99,578
795	Hinkleville Center	Hinkleville	85,229
140	South Park S.C.	Lexington	258,713
9263	Owensboro Town Center	Louisville	156,672*
1537	Maysville Marketsquare	Maysville	216,119
9191	Radcliff	Radcliff	36,900*
<b>Louisiana</b>			
9187	Alexandria	Alexandria	20,400*
752	Acadian Village	Baton Rouge	103,161
1183	Hammond Aire Plaza	Baton Rouge	349,907
9009	Coursey Commons S.C.	Baton Rouge	67,755
1025	Centre at Westbank	Harvey	181,660
274	Houma Power Center	Houma	98,586
670A	Acadiana Square	Lafayette	244,733
9202	Minden	Minden	27,300*
9213	Pineville	Pineville	32,200*
9095	Bayou Walk	Shreveport	93,669*
9259	East Side Plaza	Shreveport	78,591*
9200	Zachary	Zachary	29,600*

Site	Center Name	City	GLA
<b>Maine</b>			
200	Bangor S.C.	Bangor	86,422
1381	Mallside Plaza	S. Portland	98,574
<b>Maryland</b>			
1042	Club Centre	Baltimore	44,170
1092	Pulaski Industrial Park	Baltimore	- ^
1048A	Fullerton Plaza	Baltimore	152,834
1052A	Ingleside S.C.	Baltimore	112,722
1064A	Rolling Road Plaza	Baltimore	49,629
1067A	Security Square S.C.	Baltimore	77,287
1084D	Wilkens Beltway Plaza	Baltimore	79,815
1085A	York Road Plaza	Baltimore	90,903
1187A	Putty Hill Plaza	Baltimore	90,830
1050A	Greenbrier S.C.	Bel Air	115,927
1040	Clinton Bank	Clinton	2,544
1041	Clinton Bowl	Clinton	- ^
156	Snowden Square S.C.	Columbia	50,000
216	Wilde Lake	Columbia	55,791
222	Lynx Lane Village Center	Columbia	23,835
212	Kings Contrivance	Columbia	86,032
235	River Hill Village Center	Columbia	105,907
1230A	Famous Dave's Ribs	Columbia	6,780
201B	Columbia Crossing	Columbia	73,299
206B	Dorsey's Search Village Center	Columbia	86,456
211D,E	Hickory Ridge	Columbia	100,521
213B	Harpers Choice	Columbia	91,165
1069A	Shoppes at Easton	Easton	113,330
1376	Long Gate S.C.	Ellicott City	433,467
1046A	Enchanted Forest S.C.	Ellicott City	139,898
1088	Villages at Urbana	Fredrick County	75,677
463	Gaithersburg S.C.	Gaithersburg	88,277
1562	Gaitherstowne Plaza	Gaithersburg	71,329
1037A	Arundel Plaza	Glen Burnie	249,746
221	Hagerstown S.C.	Hagerstown	117,718
173	Laurel Plaza	Laurel	75,924
214	Laurel Plaza	Laurel	81,550
1073	Southwest	Linthicum	7,872
1058A	Orchard Square	Lutherville	12,333
1057A	North East Station	North East	80,190
1264	Owings Mills Plaza	Owings Mills	14,564
1056A	New Town Village	Owings Mills	116,303
1059,A	Patriots Office/Patriots Plaza	Pasadena	38,727
1060	Perry Hall Square S.C.	Perry Hall	183,124
1061A	Perry Hall Super Fresh	Perry Hall	65,059
1078	Timonium S.C.	Timonium	127,097
1077A	Timonium Crossing	Timonium	59,799
1063D-G	Radcliffe Center	Towson	84,280
1104A	Towson Place	Towson	669,926
1079	Waldorf Bowl	Waldorf	26,128
1080	Waldorf Firestone	Waldorf	4,500
1081A	Waverly Woods Village Center	Woodstock	103,547



Site	Center Name	City	GLA
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### Massachusetts

609	Barrington Plaza	Great Barrington	131,235
9247	Haverhill Plaza	Haverhill	63,203*
1141A	Festival at Hyannis S.C.	Hyannis	225,634
1117A	Shops at the Pond	Marlborough	104,125
1045A	Del Alba Plaza	Pittsfield	72,014
1198	North Quincy Plaza	Quincy	80,510
481	Shrewsbury S.C.	Shrewsbury	108,418
1373	Center at Hobbs Brook	Sturbridge	231,016

### Michigan

1266	Canton Twp. Plaza	Canton Twp.	40,149
667	White Lake Commons	Clarkston	148,973
143	Clawson Center	Clawson	119,801
1267	Clinton Twp. Plaza	Clinton Twp.	19,042
1268	Dearborn Heights Plaza	Dearborn Heights	15,450
146	Downtown Farmington Center	Farmington	96,915
1269	Grand Rapids Plaza	Grand Rapids	68,632
138	Maple Hill Mall	Kalamazoo	261,334
757	Southfield S.C.	Lansing	103,161
1270	Lansing Plaza	Lansing	18,813
119	Century Plaza	Livonia	10,400
335	Beltline Plaza	Muskegon	79,215
180	Novi S.C.	Novi	60,000
1271	Okemos Plaza	Okemos	30,520
607	Cross Creek S.C.	Taylor	141,549
271	Cambridge Crossing	Troy	223,041
606	Green Orchard S.C.	Walker	338,928

### Minnesota

1272	Eden Prairie Plaza	Eden Prairie	18,388
1568	Hastings Marketplace	Hastings	97,535
1558	The Fountains at Arbor Lake	Maple Grove	407,686
014	Arbor Lakes Retail Center	Maple Grove	466,401
004	Maplewood Town Center	Maplewood	111,544
552	Ridgedale Festival Center	Minnetonka	120,220
1273	Roseville Plaza	Roseville	7,800
1274	St. Paul Plaza	St. Paul	17,754
785	Thunderbird Mall	Virginia	63,550

### Mississippi

1128	Turtle Creek Crossing	Hattiesburg	248,000^
157	Ridgewood Court	Jackson	50,000
9212	Petal	Petal	30,180*
9064	Center Park	Ridgeland	41,079*
9065	North Regency	Ridgeland	61,568*
9066	Purple Creek	Ridgeland	81,626*

Site	Center Name	City	GLA
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### Missouri

875	Plaza at De Paul	Bridgeton	101,592
850	Crystal Center	Crystal City	100,724
154	Shop & Save S.C.	Ellisville	118,080
744	Hub S.C.	Independence	103,161
806	Independence S.C.	Independence	184,870
707	North Point S.C.	Joplin	155,416
889	Joplin Mall	Joplin	80,524
833	Kansas Center	Kansas City	150,381
803	Kirkwood Crossing	Kirkwood	253,662
244	Lemay S.C.	Lemay	69,498
872	Manchester S.C.	Manchester	89,305
625	Primrose Marketplace	Springfield	277,590
869	Springfield S.C.	Springfield	203,384
789	Primrose Marketplace	Springfield	84,916
798	Center Point S.C.	St. Charles	84,460
598	Home Depot Plaza	St. Charles	8,000
804	Kings Highway S.C.	St. Louis	176,273
831	Dunn Center	St. Louis	172,165
829	Overland Crossing	St. Louis	170,779
162	Gravois Plaza	St. Louis	129,093
834	South County Center	St. Louis	128,765
830	Creve Coeur S.C.	St. Louis	113,781
840	Cave Springs S.C.	St. Peters	175,121

### Nebraska

741	Frederick S.C.	Omaha	92,332
1103	Sorensen Park Plaza	Omaha	141,000^

### Nevada

1503	Eagle Station	Carson City	114,078
1504	Elko Junction S.C.	Elko	170,812
508	Warm Springs Promenade	Henderson	156,000^
1505	Green Valley Town & Country	Henderson	130,773
1501	Cheyenne Commons	Las Vegas	362,758
1510	Sahara Pavilion North	Las Vegas	333,679
1508	Rainbow Promenade	Las Vegas	228,279
1509	Renaissance West	Las Vegas	169,160
1511	Sahara Pavilion South	Las Vegas	160,842
1513	Winterwood Pavilion	Las Vegas	144,653
1502	Decatur Meadows	Las Vegas	111,245
1499	Alamosa Plaza	Las Vegas	77,650
1314A	Del Monte Plaza	Reno	36,627
1313	Comp USA Center	Reno	31,710
1507	North Reno	Reno	129,960
1500	Caughlin Ranch	Reno	113,488
1506	Mira Loma Center	Reno	102,907
1512	West Town	Winnemucca	65,424

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## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA	Site	Center Name	City	GLA
<b>New Hampshire</b>				750	Concourse Plaza	Bronx	228,638
9237	Shaw's Plaza	Lancaster	50,080*	1346	Castle Hill Strauss	Bronx	3,720
9236	Kilburn Plaza	Littleton	34,583*	1019	Two Guys Auto Glass	Brooklyn	7,500
1012A	Webster Square	Nashua	182,360	1020	Genovese Drug Store	Brooklyn	10,000
1345	New London S.C.	New London	106,470	1130	Kings Highway S.C.	Brooklyn	29,671
9233	Sugar River	Newport	117,828*	1131	Ralph Avenue Homeport	Brooklyn	41,076
620	Rockingham Mall	Salem	344,076	1347	Utica Avenue Strauss	Brooklyn	5,200
9234	Shaw's Plaza	Woodsville	39,000*	030	Mill Basin Plaza	Brooklyn	80,708
9235	Rite Aid	Woodsville	11,280*	453	Elmwood Plaza	Buffalo	141,285
<b>New Jersey</b>				456	Tops Plaza	Buffalo	101,066
1133	Bayonne Broadway	Bayonne	23,901	605	Centereach Mall	Centereach	377,584
1276	Bricktown Plaza	Bricktown	56,680	1358	Pathmark S.C.	Centereach	101,656
1277	Bridgewater Plaza	Bridgewater	45,486	1181	Central Islip Town Center	Central Islip	42,000^
573,A	Bridgewater Promenade	Bridgewater	378,567	575	King Kullen Plaza	Commack	265,409
306	Stop & Shop Plaza	Cherry Hill	124,750	545	Home Depot Plaza	Copiapue	163,999
643	Marlton Plaza	Cherry Hill	129,809	1341	The Center at East Northport	E. Northport	26,016
1014	Hillview S.C.	Cherry Hill	209,185	1193	Northport Retail	E. Northport	- ^
645	Cinnaminson S.C.	Cinnaminson	121,852	132	Elmont S.C.	Elmont	27,078
032	Millside Plaza	Delran	77,583	284	Elmont Plaza	Elmont	-
1194A	Delran S.C.	Delran	37,679	1363	Airport Plaza	Farmingdale	443,134
1278	Deptford Plaza	Deptford	29,930	1136	Franklin Square S.C.	Franklin Square	17,864
047	East Windsor Village	East Windsor	249,029	027	Meadowbrook Commons	Freeport	173,031
1375	Edgewater Commons	Edgewater	423,620	025	North Shore Triangle	Glen Cove	49,346
1191	Kmart S.C.	Hillsborough	55,552	1098	Scotia Crossing	Glenville	- ^
1008	Holmdel Commons II	Holmdel	234,739	354	Hampton Bays Plaza	Hampton Bays	70,990
1007	Holmdel Towne Center	Holmdel	300,010	1556	Woodbury Centre	Harriman	227,939
1280	Howell Plaza	Howell	30,000	021	Walgreens of Freeport	Hempstead	13,905
1281	Kenvil Plaza	Kenvil	44,583	1137	Hicksville S.C.	Hicksville	35,581
184	Strauss Auto Plaza	Linden	13,340	1348	Liberty Avenue Strauss	Jamaica	5,770
1171	Maple Shade	Moorestown	201,351	008	Latham Farms	Latham	616,130
617	North Brunswick Plaza	North Brunswick	409,879	1349	Merick Blvd. Strauss	Laurelton	7,435
558	Piscataway Town Center	Piscataway	97,348	9184	Levittown S.C.	Levittown	47,214
615	Ridgewood S.C.	Ridgewood	24,280	1017,A	Douglaston S.C.	Little Neck	48,275
1282	Sea Girt Plaza	Sea Girt	35,240	237	Manhasset Center	Manhasset	188,608
1160	Willowbrook Plaza	Wayne	331,528	1352	Strauss-East 14th Street	Manhattan	9,566
1283	West Long Branch Plaza	West Long Branch	23,379	1129	Duane Reade	Maspeth	22,500
614	Westmont Plaza	Westmont	192,254	028	Merrick Commons	Merrick	107,871
9343	Whiting Commons	Whiting	4,000^A	041	Galleria at Crystal Run	Middletown	80,000
<b>New Mexico</b>				020	Munsey Park	Munsey Park	72,748
585	Sycamore Plaza	Albuquerque	37,758	1145	Levitz Plaza	Nesconset	55,580
586	Plaza Paseo Del Norte	Albuquerque	183,912	1138	North Massapequa S.C.	North Massapequa	29,610
591	Juan Tabo Plaza	Albuquerque	59,722	1018	American Muffler Shop	Oceanside	1,856
1536	Country Club Center	Albuquerque	74,656	116	Manetto Hill Plaza	Plainview	88,222
9182	Toys R Us	Las Cruces	30,686	218	44 Plaza	Poughkeepsie	167,668
<b>New York</b>				1351	Strauss-Jamaica Avenue	Queens Village	14,649
1134	Bayridge S.C.	Bayridge	21,106	149/426	West Gates S.C.	Rochester	185,153
1357	Market at Bay Shore	Bayshore	176,622	601	Richmond S.C.	Staten Island	212,325
1135	Bellmore S.C.	Bellmore	24,802	674	Greenridge Plaza	Staten Island	101,337
360	Bridgehampton Commons	Bridgehampton	287,587	1285	Staten Island Plaza	Staten Island	14,560
				1339	Hylan Plaza	Staten Island	356,779
				1343	Forest Avenue Plaza	Staten Island	47,270
				031	Forest Avenue S.C.	Staten Island	177,118
				109	Syosset S.C.	Syosset	32,124
				1161	Westbury S.C.	Westbury	398,602



Site	Center Name	City	GLA	Site	Center Name	City	GLA
1140	White Plains S.C.	White Plains	24,577	308/310	Oak Creek Plaza	Dayton	213,666
801	Shoprite S.C.	Yonkers	43,560	006	Northpark Center	Huber Heights	318,468
1350	Romaine Avenue Strauss	Yonkers	10,329	437/637	Tops Plaza	Kent	106,500
<b>North Carolina</b>				399	Mentor Plaza	Mentor	103,910
1096	Burlington Commerce Park	Burlington	- ^	417	Erie Commons	Mentor	235,577
696	Wellington Park	Cary	102,787	714	Mallwoods Centre	Miamisburg	6,000
483	Crossroads Plaza	Cary	86,015	409	Middleburg Heights Plaza	Middleburg Hgts.	104,342
002,A	Centrum @ Crossroads	Cary	315,797	414	Tops Plaza	North Olmstead	99,862
959B	Park Place S.C.	Cary	169,901	486	High Park Center	Orange Township	- ^
380/384	Tyvola Mall	Charlotte	233,800	276	Sharonville Plaza	Sharonville	130,704
192	Independence Square	Charlotte	139,269	018	Tri-County Commons	Springdale	253,510
144	Woodlawn Marketplace	Charlotte	62,300	404	Salem Plaza	Trotwood	141,616
639	Oakcreek Village	Durham	116,186	130	Arlington Square	Upper Arlington	160,702
016	New Hope Commons	Durham	408,292	9207	Wauseon	Wauseon	13,100*
528	Franklin Ford	Franklin	26,326	178/423	Westerville Plaza	Westerville	242,124
275	Landmark Station	Greensboro	103,494	234	Town Square	Wickliffe	128,180
1094	Senate/Hillsborough Crossing	Hillsborough	- ^	410	Chardon Bishop Plaza	Willoughby Hills	157,424
1177	Shoppes @ Midway Plantation	Knightdale	188,000^	<b>Oklahoma</b>			
1033	The Centrum	Pineville	269,710	9195	Durant	Durant	32,200*
177	Pleasant Valley Promenade	Raleigh	372,023	9211	Newcastle	Newcastle	11,600*
955D	Millpond Offices	Raleigh	16,030	001,A	Parkway Plaza	Norman	262,624
479	Edgewater Place	Raleigh	87,000^	555	Centennial Plaza	Oklahoma City	233,797
477A	Wakefield Crossings II	Raleigh	- ^	876	Broadway Plaza	Oklahoma City	103,027
478	Wakefield Crossings	Raleigh	- ^	9197	Shawnee	Shawnee	35,640*
126	Cloverdale Plaza	Winston-Salem	137,433	810	Woodlands Marketplace	South Tulsa	4,090
<b>Ohio</b>				<b>Oregon</b>			
245	Harvest Plaza	Akron	75,866	9181	Toys R Us	Albany	22,700
419	West Market Plaza	Akron	138,363	1514	Albany Plaza	Albany	109,891
220	Barberton S.C.	Barberton	101,801	1516	Canby Square S.C.	Canby	115,701
345	Beavercreek Plaza	Beavercreek	119,410	1377	Clackamas Promenade	Clackamas	236,713
246	Kmart Plaza	Brunswick	171,223	1518	Gresham Town Fair	Gresham	265,765
242	Cambridge Square	Cambridge	78,065	1525	Oregon Trail Center	Gresham	208,276
188	Belden Village Commons	Canton	172,419	1527	Powell Valley Junction	Gresham	107,583
405	Cross Pointe S.C.	Centerville	125,058	1528	Rockwood Plaza	Gresham	92,872
017	Colerain Towne Center	Cincinnati	378,901	1519	Hermiston Plaza	Hermiston	149,196
413	Ridgewater Plaza	Cincinnati	223,731	1531	Sunset Esplanade	Hillsboro	260,954
415	Glenway Plaza	Cincinnati	121,242	1533	Tanasbourne Village	Hillsboro	210,992
420	Cassinelli Square	Cincinnati	308,277	1520	Hood River S.C.	Hood River	108,554
482	Glenway Crossing	Cincinnati	88,317	1557	McMinnville	McMinnville	- ^
513	Ridgewater Plaza	Cincinnati	89,742	1521	Medford Center	Medford	335,043
1286	Highland Plaza	Cincinnati	19,748	1515	Bear Creek Plaza	Medford	183,850
1287	Montgomery Plaza	Cincinnati	39,069	1523	Milwaukie Marketplace	Milwaukie	185,859
401	Morse Plaza	Columbus	191,089	1530	Southgate S.C.	Milwaukie	50,862
402	South Hamilton S.C.	Columbus	142,743	1524	Oregon City S.C.	Oregon City	246,855
403	Olentangy Plaza	Columbus	129,008	1532	Sunset Mall	Portland	115,635
407	West Broad Plaza	Columbus	135,650	1522	Menlo Park Plaza	Portland	112,755
424	South High Plaza	Columbus	99,262	1517	East Burnside Plaza	Portland	38,363
019	Georgesville Square	Columbus	254,152	1529	Sandy Marketplace	Sandy	101,438
597	North West Square	Columbus	112,862	1526	Pioneer Plaza	Springfield	96,027
131	Shiloh Springs Plaza	Dayton	163,131	1534	Troutdale Market	Troutdale	98,137
406	Value City Plaza	Dayton	116,374				

\* Preferred Equity

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## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA
<b>Pennsylvania</b>			
649	Center Square S.C.	Blue Bell	120,211
1288	Brookhaven Plaza	Brookhaven	6,300
1338	Carlisle Marketplace	Carlisle	90,289
1199	Chambersburg Crossing	Chambersburg	251,000 <sup>A</sup>
1083A	Wayne Plaza	Chambersburg	129,754
460	Chippewa Plaza	Chippewa	215,206
148	Duquesne Plaza	Duquesne	69,733
223	Ridge Pike Plaza	Eagleville	165,385
312	Norriton Square	East Norriton	133,569
210	Pocono Plaza	East Stroudsburg	168,506
661	Eastwick Wellness Center	Eastwick	36,511
469	Acme Supermarket S.C.	Exton	60,685
658	Whiteland Town Center	Exton	85,184
1289	Exton Plaza	Exton	47,134
0191	Fairview Plaza	Fairview Township	71,979*
651	Bucks Crossing	Feasterville	86,575
375	Gettysburg Plaza	Gettysburg	14,584
158	Westmoreland Mall	Greensburg	50,000
0266	Halifax Plaza	Halifax Township	54,150*
326	Hamburg Wellness Center	Hamburg	15,400
193A	Harrisburg East S.C.	Harrisburg	175,917
656	Township Line S.C.	Havertown	80,938
723	Village Mall	Horsham	105,569
1337	Horsham Point	Horsham	75,206
0268	Newport Plaza	Howe Township	66,789*
659	Ralph's Corner S.C.	Landsdale	84,470
1110A	Holiday Center	Monroeville	143,200
049	Montgomery Square	Montgomery	257,565
648	Morrisville S.C.	Morrisville	2,437
342	New Kensington S.C.	New Kensington	108,950
526	Northeast Auto Outlet	Philadelphia	75,303
650	Frankford Avenue S.C.	Philadelphia	82,345
660	The Gallery	Philadelphia	133,309
1290	Philadelphia Plaza	Philadelphia	14,143
1353	Strauss-Washington Avenue	Philadelphia	9,343
1361	Great Northeast Plaza	Philadelphia	294,751
294	Cottman & Castor S.C.	Philadelphia	198,721
612	Cottman & Bustleton Center	Philadelphia	274,412
1185	Allegheny Garage	Pittsburgh	467,927
1566	Wexford	Pittsburgh	130,824
9020	Cranberry Commons	Pittsburgh	166,789*
1062A	Pottstown Plaza	Pottstown	161,727
389	Crossroads Plaza	Richboro	110,357
464	Carnegie	Scott Township	69,288
1070A	Shrewsbury Square S.C.	Shrewsbury	94,706
760	County Line Plaza	Souderton	67,396
288	Springfield S.C.	Springfield	212,188
662	Upper Darby Wellness Center	Upper Darby	48,936
385	Century III Mall	West Mifflin	84,279
653	Whitehall Mall	Whitehall	84,524
1190	Macarthur Towne Center	Whitehall	151,418

Site	Center Name	City	GLA
1291	Whitehall Plaza	Whitehall	18,645
0502	Loyal Plaza	Williamsport	293,825*
371	Mount Rose Plaza	York	58,244
372	West Market St. Plaza	York	35,500
<b>Puerto Rico</b>			
1369	Rexville Town Center	Bayamon	186,400
1365,A-C	Plaza Centro	Caguas	572,188
1366,A-C	Los Colobos	Carolina	570,610
1371	Manati Villa Maria S.C.	Manati	69,640
1367,A	Western Plaza	Mayaguez	348,593
1368	Ponce Town Center	Ponce	192,701
1370	Trujillo Alto Plaza	Trujillo Alto	201,324
<b>Rhode Island</b>			
691	Marshalls Plaza	Cranston	129,907
1011	Mashpaug Commons	Providence	71,735
<b>South Carolina</b>			
631	Westwood Plaza	Charleston	186,740
254	St. Andrews Center	Charleston	128,658
646	Crossroads Center	Florence	113,922
676	Gallery S.C.	Greenville	148,532
1147	Cherrydale Point	Greenville	295,928
622/692	North Rivers Marketplace	N. Charleston	267,632
<b>Tennessee</b>			
1356	Harpeth Village	Bellevue	53,000 <sup>A</sup>
253	Red Bank S.C.	Chattanooga	50,588
168	Hamilton Crossing S.C.	Chattanooga	50,000
1559	Germantown Collection	Germantown	55,297
1181,A	Rivergate Station	Madison	240,318
282	Old Towne Village	Madison	175,593
007	Northside Marketplace	Madison	189,401
594	Trolley Station	Memphis	167,243
484	Hickory Ridge Commons	Memphis	87,962
1538	Memphis Retail Center	Memphis	51,542
013	Wolfchase Bed, Bath & Beyond	Memphis	40,000
588	The Shoppes at Rivergate	Nashville	172,135
583	Marketplace at Rivergate	Nashville	109,012
004	Hickory Hollow S.C.	Nashville	99,909
9206	Pulaski, TN	Pulaski	28,100*
<b>Texas</b>			
1309	Creme De La Creme	Allen	21,162
879	Westgate Plaza	Amarillo	343,989
879A	Shops at Soncy	Amarillo	142,747
866	Arlington Center	Arlington	96,127
589	Center of the Hills	Austin	157,852



Site	Center Name	City	GLA	Site	Center Name	City	GLA
1116	Parmer Crossing	Austin	108,028	010A	Fairway Marketplace	Pasadena	240,907
1565	Teakwood Plaza	Austin	33,181	9205	Plainview	Plainview	31,720*
9023	Parkline S.C.	Austin	92,030*	768A	Parker Plaza S.C.	Plano	149,343
9067	South Brook S.C.	Austin	54,651*	572	Richardson Plaza	Richardson	115,579
9068	Homestead	Austin	88,829*	0978	Sunset Ridge S.C.	San Antonio	102,363*
9069	Arboretum Crossing	Austin	40,000*	9054	San Mar Plaza	San Marcos	185,092*
9072	Lincoln Village	Austin	178,700*	9071	Southlake Marketplace	Southlake	133,772*
9175	Round Rock West	Austin	131,039*	1567,A	Southlake Oaks	Southlake	37,447
9176	Century South	Austin	210,520*	042	Fountains on the Lake	Stafford	589,201
564	Arboretum Crossing	Austin	191,760	1099A,B	Temple Towne Center	Temple	274,786
1378	Sunset Valley Marketfair	Austin	209,393	9193	Tyler	Tyler	35,840*
1380	Westbank Market	Austin	138,422	1003	Market Street-The Woodlands	Woodlands	456,000^
823	Baytown Village S.C.	Baytown	86,240	<b>Utah</b>			
9201	Belton	Belton	28,060*	103	Costco Plaza	Ogden	142,628
1197	Las Tiendas Plaza	Brownsville	197,000^	<b>Vermont</b>			
496	Gateway Station	Burleson	64,000^	1120	Manchester S.C.	Manchester	53,483
9214	Carrollton	Carrollton	14,950*	<b>Virginia</b>			
9243	Trinity Mills S.C.	Carrollton	18,740*	1292	Alexandria Plaza	Alexandria	28,800
1308	Creme De La Creme	Colleyville	20,188	1039A	Burke Town Plaza	Burke	124,148
1555	Conroe Marketplace	Conroe	299,921	467	Southpark S.C.	Colonial Heights	60,909
1310	Creme de la Creme	Coppell	20,425	1227A	Waffle House	Dumfries	1,702
878	Islands Plaza S.C.	Corpus Christi	125,454	1560	Main Street Marketplace	Fairfax	101,332
170	Big Town Mall	Dallas	-	1570	Old Towne Village	Fairfax	-^
1561	Preston Forest Village	Dallas	171,988	547	Costco Plaza	Fairfax	323,262
9005	Hillside Village	Dallas	166,625*	1200A	Central Park	Fredericksburg	272,398*
565	Cityplace Market	Dallas	83,867	1241A	Firestone Tire	Fredericksburg	7,200
816	Accent Plaza	East Plano	100,598	1071A	Skyline Village	Harrisonburg	107,438
1100	Montgomery Plaza	Fort Worth	200,000^	1569	Battlefield Marketplace	Leesburg	314,968
9097	Fossil Creek	Fort Worth	68,492*	672	Festival at Manassas	Manassas	117,525
1396	Preston Lebanon Crossing	Frisco	106,000^	1076A	Sudley Towne Plaza	Manassas	107,233
9070	Republic Square	Georgetown	115,158*	1162	Pentagon Centre	Pentagon City	337,429
1354	Lake Prairie Towne Crossing	Grand Prairie	69,000^	462	Westpark Center	Richmond	84,683
1122A	The Centre at Copperfield	Harris County	144,055	800	Burlington Coat Center	Richmond	128,612
567	Center at Baybrook	Houston	397,899	1235A	BB & T - Colonia	Richmond	3,060
719	Sharpstown Court	Houston	84,188	1123	Valley View S.C.	Roanoke	81,789
817	Westheimer Plaza	Houston	96,500	952A	Towne Square	Roanoke	301,740
1006	Northwest Marketplace	Houston	185,332	1295,A	Doc Stone Commons	Stafford	101,042
1086A	Cypress Towne Center	Houston	30,000^	1228A	Chick-fil-A	Stafford	4,211
655A	Woodforest S.C.	Houston	113,831	1231A	Ruby Tuesday's	Stafford	4,400
1355	Copperwood Village	Houston	350,398	1236A	Carlos O'Kelly's Mexican Cafe	Stafford	7,310
1086B	Cypress Towne Center	Houston	196,044	1239A	Dairy Queen	Stafford	3,549
9151	Killeen Marketplace	Killeen	-*^	1332A	Stafford Marketplace	Stafford	331,730
9150	Lake Jackson Marketplace	Lake Jackson	-*^	1021A	Potomac Run Plaza	Sterling	361,079
1125	Rio Norte S.C.	Laredo	257,981	1175A	Dulles Town Crossing	Sterling	737,503
568	Shops at Vista Ridge	Lewisville	74,837	225	Gordon Plaza	Woodbridge	150,793
569	Vista Ridge Plaza	Lewisville	123,560	1072A	Smoketown Plaza	Woodbridge	272,174
590	Vista Ridge Plaza	Lewisville	93,668	915-920	Smoketown Station	Woodbridge	494,048
678	South Plains Plaza	Lubbock	108,326				
256	Kroger Plaza	Mesquite	79,550				
570/571	Mesquite Town Centre Plaza	Mesquite	209,766				
1016	New Braunfels	N. Braunfels	86,479				
9190	Pampa	Pampa	16,160*				
010	Fairway Plaza	Pasadena	169,190				

\* Preferred Equity

^ Property under development or land held for development

\* Represents 37 net leased properties at Central Park



## Portfolio of Properties INTERESTS OWNED OR MANAGED

Site	Center Name	City	GLA	Site	Center Name	City	GLA
<b>Washington</b>				<b>British Columbia</b>			
1482	Auburn North	Auburn	171,032	9046	Coach House Square	100 Mile House	69,023*
1188	Factoria Mall	Bellevue	445,250	519	Abbotsford	Abbotsford	215,213
1497	Sunset Square	Bellingham	376,023	9139	Burnaby Plaza	Burnaby	8,788*
542	Cordata Center	Bellingham	188,885	515	Clearbrook	Clearbrook	188,253
1483	Blaine International Center	Blaine	109,461	9140	Courtenay Plaza	Courtenay	4,024*
1485	Claremont Village Plaza	Everett	88,770	9052	Sunnycrest Mall	Gibsons	103,596*
035	Pavilions Center	Federal Way	200,126	9090	Summit S.C.	Kamloops	—*^
1484	Canyon Ridge Plaza	Kent	86,909	9049	Fraser Crossing	Langley	34,895*
1494	Panther Lake	Kent	69,090	531	Langley Gate	Langley	151,802
1486	Frontier Village S. C.	Lake Stevens	199,937	259	Langley Power Center	Langley	228,314
1488	Gateway S.C.	Mill Creek	94,038	516	Mission	Mission	271,462
1489	Harbor Town	Oak Harbor	70,104	9053	Northport Plaza	Port Alberni	32,866*
1491	Olympia Square	Olympia	168,209	517	Prince George	Prince George	372,725
1492	Olympia West Center	Olympia	69,572	9045	College Heights Plaza	Prince George	77,931*
1490	Jefferson Square	Seattle	144,170	533	Strawberry Hill	Strawberry Hill	332,809
1495	Silverdale Plaza	Silverdale	170,332	518	Surrey	Surrey	170,725
1496	Silverdale S.C.	Silverdale	67,287	9050	Newton Town Centre	Surrey	115,117*
1493	Pacific Commons	Spanaway	116,961	534	Tillicum	Tillicum	455,493
167A	Franklin Park Commons	Spokane	129,785	9048	Waneta Plaza	Trail	187,713*
1498	Tacoma Central	Tacoma	156,916	9051	Dollarton Village S.C.	Vancouver	35,858*
050	Parkway Super Center	Tukwila	459,071	9047	Westbank Towne Centre	Westbank	113,141*
1031	Hazel Dell Towne Center	Vancouver	230,000^	9227	Westbank	Westbank	—*^
1487	Garrison Square	Vancouver	69,790				
<b>West Virginia</b>				<b>Manitoba</b>			
330	Charles Town Plaza	Charles Town	208,950	9144	Winnipeg Plaza	Winnipeg	4,200*
285	Huntington Plaza	Huntington	2,400				
376	Martin's Food Plaza	Martinsburg	43,212	<b>New Brunswick</b>			
595	Riverwalk Plaza	South Charleston	147,753	9145	Fredericton Plaza	Fredericton	6,742*
				9146	Moncton Plaza	Moncton	4,655*
<b>Canada</b>				9217	The Village	St. John's	457,768*
<b>Alberta</b>				<b>Ontario</b>			
512	Brentwood Village	Brentwood	312,331	9136	Barrie Plaza	Barrie	4,748*
509	Shawnessey Centre	Calgary	468,998	9137	Barrie S.C.	Barrie	1,680*
510	Shoppes @ Shawnessey	Calgary	162,988	9138	Barrie Center	Barrie	6,897*
9042	Sunridge Power Centre	Calgary	123,084*	9118	Brantford Plaza	Brantford	12,894*
9043	Heritage Hill Plaza	Calgary	172,697*	986	Walker Place	Burlington	69,857
9141	Calgary Plaza	Calgary	6,308*	9123	Burlington Plaza	Burlington	9,126*
514	South Edmonton Common	Edmonton	428,745	9124	Cambridge Plaza	Cambridge	15,730*
911	Grande Prairie III	Grande Prairie	63,413	9119	Cornwall Plaza	Cornwall	4,000*
9044	Park West Mall	Hinton	137,917*	9125	Guelph Plaza	Guelph	3,600*
9142	Lethbridge Plaza	Lethbridge	4,000*	9126	Hamilton Plaza	Hamilton	6,500*
9143	Lethbridge S.C.	Lethbridge	7,168*	9130	Hamilton S.C.	Hamilton	4,125*
9178	Centre Village Mall	Lethbridge	368,419*	9134	Hamilton Centre	Hamilton	10,441*
				9326	Laurentian S.C.	Kitchener	66,579*
				9327	Westmount Centre	Kitchener	13,450*
				9129	London Plaza	London	5,700*
				9135	London S.C.	London	8,152*
				9010	Wellington Southdale	London	86,612*
				988	Grand Park	Mississauga	118,637



Site	Center Name	City	GLA
9003	Clarkson Crossing	Mississauga	213,052
9121	Mississauga Plaza	Mississauga	31,091*
537	404 Town Centre	Newmarket	249,379
793	Green Lane Centre	Newmarket	160,195
9120	North Bay Plaza	North Bay	8,497*
535	Lincoln Fields S.C.	Ottawa	289,869
538	Boulevard Centre I	Ottawa	91,462
539	Boulevard Centre II	Ottawa	125,984
791	Boulevard Centre III	Ottawa	82,961
9127	Ottawa Plaza	Ottawa	4,448*
9345	Montreal Road	Ottawa	3,400*
9346	Ogilvie Road	Ottawa	11,133*
9347	Kakula Road	Ottawa	12,287*
9348	Walkley Road	Ottawa	31,001*
9349	York Street & March	Ottawa	11,265*
9350	Cyrville Road	Ottawa	26,512*
9351	Cryville Road	Ottawa	46,400*
9352	Cyrville Road	Ottawa	39,840*
1245	Agincourt Nissan Limited	Scarborough	20,506
1246	Morningside Nissan Limited	Scarborough	13,433
9122	Ontario Street Plaza	St. Catharines	38,993*
9133	Ontario Street S.C.	St. Catharines	5,418*
9131	Talbot Plaza	St. Thomas	3,595*
9128	LaSalle Plaza	Sudbury	9,643*
9328	Notre Dame Avenue	Sudbury	40,128*
9030	Sudbury	Sudbury	169,555
797	Sudbury	Sudbury	234,299
770	Shoppers World Albion	Toronto	349,399
911	Leaside Centre	Toronto	133,035
980	Shoppers World Danforth	Toronto	328,202
981	Dufferin Marketplace	Toronto	171,088
9055	Westside Marketplace	Waterloo	- *
9132	Weber Plaza	Waterloo	5,274*
536	Kendalwood Park Center	Whitby	156,274
976	Thickson Ridge	Whitby	363,039

#### Prince Edward Island

733	Charlottetown	Charlottetown	390,988
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#### Quebec

9024	Carrefour Alma	Alma	267,531*
9029	Place Du Havre Chandler	Chandler	114,071*
610	Chateauguay	Chateauguay	211,368
9028	Carrefour Gaspé	Gaspé	152,285*
921	Greenfield Park	Greenfield Park	364,003
985	Jacques Cartier	Jacques Cartier	211,805
9025	Galeries Jonquière	Jonquière	246,536*
9230	Place Charlevoix	Lamallbaie	117,169*
9232	Les Galeries Laurier	Laurier Station	36,366*
9165	40 Place De Commerce	Montreal	93,152*
9167	Elgar S.C.	Montreal	10,157*

Site	Center Name	City	GLA
9169	Champlain Plaza	Montreal	25,000*
9248	Cherokee	Montreal	328,069*^
9027	Carrefour Jeanouis	Roberval	126,892*
9026	Place Du Saguenay	Saguenay	284,669*
9231	Les Galeries	St. Augustin De-Desmaures	52,565*
9056	Carrefour Grande Cote	Ste. Eustache	88,596*
9075	Centre 25e	Ste. Eustache	26,694*

#### Mexico

9147	Acapulco-Las Palmas	Acapulco	316,005
9148	Cancun-Kabah	Cancun	91,139
9339	Plaza Cuautla	Cuautla	233,000^
9226	Nuevo Leon-Kimex		
	Plaza Mexiquense	Escobedo	92,000^
9103	Multiplaza Tlajomulco	Guadalajara	129,198
9319	Pabellon Loan	Guadalajara	99,717
9093	Centro Sur	Guadalajara	571,000^
9228	Motorola	Guadalajara	170,000^
9353	Huehuetoca	Huehuetoca	125,873^
9018A	Huehuetoca	Huehuetoca	170,836
921	Juarez-Lopez Mateo	Juarez	238,135
9337	Juarez II	Juarez	118,000^
9330	San Pedro	Mexicali	118,047
9266	Progreso	Mexicali	103,000^
9149	Plaza Magno Deco	Mexico City	22,000^
189	Plaza Bella- Escobedo	Monterrey	265,360
9267	Lindavista Miguel Aleman	Monterrey	98,000^
9338	Plaza Nuevo Laredo	Nuevo Laredo	110,000^
9033	Plaza Universidad Hidalgo	Pachuca	140,000^
9060	Plaza Comercial Puerta De Hierro	Pachuca	132,000^
9242	Plaza Puerto Vallarta	Puerto Vallarta	72,000^
9032	Reynosa	Reynosa	391,399
9034	Plaza Nogalera Saltillo	Saltillo	252,000^
181	Saltillo Plaza	Saltillo	173,772
9260	San Juan Del Rio Peralta	San Juan Del Rio	84,000^
9008	San Luis	San Luis	121,324
9333	Plaza Mexiquense	Tecamac	82,000^
9098	Plaza Del Rio/Plaza Insurgentes	Tijuana	182,000^
9099	Multiplaza Arboledas	Tlalnepantla	356,000^
9092	Tuxtepec	Tuxtepec	92,807

Total Number of Properties Owned or Managed 1,348†

Total GLA Owned or Managed 161.9 million§

† Total includes 61 properties in the American Industry portfolio, Mexico, 90 non-retail assets, and 51 Newkirk properties

§ Total includes 6.4 million square feet in the American Industry portfolio, 10.9 million square feet of non-retail assets, and excludes 2.5 million square feet in Newkirk properties and 11.0 million square feet of projected leasable area related to the ground-up development projects

\* Preferred Equity

^ Property under development or land held for development

# Reconciliation From Net Income To Funds From Operations

(in thousands, except share information)

	2006	2005	2004	2003	2002
<b>Funds from Operations</b>					
Net income	\$ 428,259	\$ 363,628	\$ 297,137	\$ 307,879	\$ 245,668
Gain on disposition of operating properties, net of minority interests	(71,776)	(31,611)	(15,390)	(50,834)	(12,778)
Gain on disposition of joint venture operating properties	(16,549)	(13,776)	(4,045)	—	—
Depreciation and amortization	144,319	108,032	102,872	89,068	76,674
Depreciation and amortization - real estate joint ventures, net of minority interests	71,731	50,059	36,400	29,456	17,779
Preferred stock redemption costs	—	—	—	(7,788)	—
Preferred stock dividends	(11,638)	(11,638)	(11,638)	(14,669)	(18,437)
<b>Funds from Operations</b>	<b>\$ 544,346</b>	<b>\$ 464,694</b>	<b>\$ 405,336</b>	<b>\$ 353,112</b>	<b>\$ 308,906(2)</b>
<b>Per Common Share</b>					
<b>Basic</b>	<b>\$ 2.27</b>	<b>\$ 2.05</b>	<b>\$ 1.82</b>	<b>\$ 1.65</b>	<b>\$ 1.48</b>
<b>Diluted</b>	<b>\$ 2.21(1)</b>	<b>\$ 2.00(1)</b>	<b>\$ 1.77(1)</b>	<b>\$ 1.61(1)</b>	<b>\$ 1.46(1)</b>
<b>Weighted Average Shares Outstanding</b>					
<b>Basic</b>	<b>239,552</b>	<b>226,641</b>	<b>222,859</b>	<b>214,184</b>	<b>208,916</b>
<b>Diluted</b>	<b>250,315(1)</b>	<b>235,634(1)</b>	<b>231,909(1)</b>	<b>222,337(1)</b>	<b>211,938(1)</b>

(1) Reflects the potential impact if certain units were converted to common stock at the beginning of the period. Funds from operations would be increased by \$8,587, \$6,693, \$6,113, \$5,771, and \$1,423 for the years ended December 31, 2006, 2005, 2004, 2003, and 2002, respectively.

(2) 2002 FFO was reduced from \$1.52 To \$1.46 for the year ended December 31, 2002 to include gains on early extinguishment of debt of \$22,255 and adjustments to property carrying values of (\$33,030).

## Reconciliation of diluted net income per common share to diluted funds from operations per common share

Diluted earnings per common share	\$ 1.70	\$ 1.52	\$ 1.26	\$ 1.31	\$ 1.08
Depreciation and amortization	0.58	0.46	0.44	0.40	0.36
Depreciation and amortization - real estate joint ventures, net of minority interests	0.29	0.21	0.16	0.13	0.08
Gain on disposition of operating properties, net of minority interests	(0.29)	(0.13)	(0.07)	(0.23)	(0.06)
Gain on disposition of joint venture operating properties	(0.07)	(0.06)	(0.02)	—	—
FFO per diluted common share	\$ 2.21	\$ 2.00	\$ 1.77	\$ 1.61	\$ 1.46

## Selected Financial Data

The following table sets forth selected, historical consolidated financial data for the Company and should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report.

The Company believes that the book value of its real estate assets, which reflects the historical costs of such real estate assets less accumulated depreciation, is not indicative of the current market value of its properties. Historical operating results are not necessarily indicative of future operating performance.

Year ended December 31, (2)	2006	2005	2004	2003	2002
	(in thousands, except per share information)				
Operating Data:					
Revenues from rental property (1)	\$ 593,880	\$ 505,557	\$ 490,901	\$ 448,203	\$ 399,725
Interest expense (3)	\$ 172,888	\$ 126,901	\$ 106,239	\$ 101,438	\$ 83,916
Depreciation and amortization (3)	\$ 141,070	\$ 101,432	\$ 95,398	\$ 79,322	\$ 64,318
Gain on sale of development properties	\$ 37,276	\$ 33,636	\$ 16,835	\$ 17,495	\$ 15,880
Gain on transfer/sale of operating properties, net (3)	\$ 2,460	\$ 2,833	\$ —	\$ 3,177	\$ —
Provision for income taxes	\$ 16,542	\$ 10,989	\$ 8,320	\$ 8,514	\$ 12,904
Income from continuing operations	\$ 345,131	\$ 325,947	\$ 274,110	\$ 234,827	\$ 225,316
Income per common share, from continuing operations:					
Basic	\$ 1.39	\$ 1.39	\$ 1.18	\$ 0.99	\$ 0.99
Diluted	\$ 1.36	\$ 1.36	\$ 1.16	\$ 0.98	\$ 0.98
Weighted average number of shares of common stock:					
Basic	239,552	226,641	222,859	214,184	208,916
Diluted	244,615	230,868	227,143	217,540	210,922
Cash dividends declared per common share	\$ 1.38	\$ 1.27	\$ 1.16	\$ 1.10	\$ 1.05
December 31,	2006	2005	2004	2003	2002
Balance Sheet Data:					
Real estate, before accumulated depreciation	\$6,001,319	\$4,560,406	\$4,092,222	\$4,174,664	\$3,398,971
Total assets	\$7,869,280	\$5,534,636	\$4,749,597	\$4,641,092	\$3,758,350
Total debt	\$3,587,243	\$2,691,196	\$2,118,622	\$2,154,948	\$1,576,982
Total stockholders' equity	\$3,366,959	\$2,387,214	\$2,236,400	\$2,135,846	\$1,908,800
Cash flow provided by operations	\$ 455,569	\$ 410,797	\$ 365,176	\$ 308,632	\$ 278,931
Cash flow used for investing activities	\$ (246,221)	\$ (716,015)	\$ (299,597)	\$ (637,636)	\$ (396,655)
Cash flow provided by (used for) financing activities	\$ 59,444	\$ 343,271	\$ (75,647)	\$ 341,330	\$ 59,839

(1) Does not include (i) revenues from rental property relating to unconsolidated joint ventures, (ii) revenues relating to the investment in retail stores leases and (iii) revenues from properties included in discontinued operations.

(2) All years have been adjusted to reflect the impact of operating properties sold during the the years ended December 31, 2006, 2005, 2004 and 2003 and properties classified as held for sale as of December 31, 2006, which are reflected in discontinued operations in the Consolidated Statements of Income.

(3) Does not include amounts reflected in discontinued operations.

## Forward-Looking Statements

This Annual Report, together with other statements and information publicly disseminated by Kimco Realty Corporation (the "Company" or "Kimco") contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms, (iv) changes in governmental laws and regulations, (v) the level and volatility of interest rates and foreign currency exchange rates, (vi) the availability of suitable acquisition opportunities and (vii) increases in operating costs. Accordingly, there is no assurance that the Company's expectations will be realized.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Annual Report. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements, including trends which might appear, should not be taken as indicative of future operations.

## Executive Summary

Kimco Realty Corporation is one of the nation's largest publicly-traded owners and operators of neighborhood and community shopping centers. As of January 31, 2007, the Company had interests in 1,348 properties totaling approximately 175.4 million square feet of GLA located in 45 states, Canada, Mexico and Puerto Rico.

The Company is self-administered and self-managed through present management, which has owned and managed neighborhood and community shopping centers for over 45 years. The executive officers are engaged in the day-to-day management and operation of real estate exclusively with the Company, with nearly all operating functions, including leasing, asset management, maintenance, construction, legal, finance and accounting, administered by the Company.

In connection with the Tax Relief Extension Act of 1999 (the "RMA"), which became effective January 1, 2001, the Company is permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust ("REIT"), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code, subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate-related opportunities including (i) merchant building, through its KDI subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services, which primarily focuses on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions. The Company will consider other investments through taxable REIT subsidiaries should suitable opportunities arise.

In addition, the Company continues to capitalize on its established expertise in retail real estate by establishing other ventures in which the Company owns a smaller equity interest and provides management, leasing and operational support for those properties. The Company also provides preferred equity capital for real estate entrepreneurs and provides real estate capital and advisory services to both healthy and distressed retailers. The Company also makes selective investments in secondary market opportunities where a security or other investment is, in management's judgment, priced below the value of the underlying real estate.

The Company's strategy is to maintain a strong balance sheet while investing opportunistically and selectively. The Company intends to continue to execute its plan of delivering solid growth in earnings and dividends. As a result of the improved 2006 performance, the Board of Directors increased the quarterly dividend per common share to \$0.36 from \$0.33, effective for the third quarter of 2006.

## Critical Accounting Policies

The Consolidated Financial Statements of the Company include the accounts of the Company, its wholly-owned subsidiaries and all entities in which the Company has a controlling interest including where the Company has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Interpretation No. 46 (R), Consolidation of Variable Interest Entities or meets certain criteria of a sole general partner or managing member in accordance with Emerging Issues Task Force ("EITF") Issue 04-5, Investor's Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights ("EITF 04-5"). The Company applies these provisions to each of its joint venture investments to determine whether the cost, equity or consolidation method of accounting is appropriate. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related notes. In preparing these financial statements, management has made its best estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates are based on, but not limited to, historical results, industry standards and current economic conditions, giving due consideration to materiality. The most significant assumptions and estimates relate to revenue recognition and the recoverability of trade accounts receivable, depreciable lives, valuation of real estate and realizability of deferred tax assets. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

### *Revenue Recognition and Accounts Receivable*

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales level is achieved. Operating expense reimbursements are recognized as earned. Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Company of common area maintenance, real estate taxes and other operating expenses.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements

and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

#### *Real Estate*

The Company's investments in real estate properties are stated at cost, less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized.

Upon acquisition of operating real estate properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations. Based on these estimates, the Company allocates the purchase price to the applicable assets and liabilities. The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 50 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income.

Real estate under development on the Company's Consolidated Balance Sheets represents ground-up development of neighborhood and community shopping center projects which are subsequently sold upon completion and projects which the Company may hold as long-term investments. These assets are carried at cost. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development. The Company ceases cost capitalization when the property

is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If, in management's opinion, the estimated net sales price of these assets is less than the net carrying value, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property. A gain on the sale of these assets is generally recognized using the full accrual method in accordance with the provisions of SFAS No. 66, Accounting for Real Estate Sales.

#### *Long Lived Assets*

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties (including any related amortizable intangible assets or liabilities) may be impaired. A property value is considered impaired only if management's estimate of current and projected operating cash flows (undiscounted and without interest charges) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends, and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the carrying value of the property would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates the sales price of such asset net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of such asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties, investments in joint ventures and other investments. The Company's reported net income is directly affected by management's estimate of impairments and/or valuation allowances.

## **Results of Operations**

#### *Comparison 2006 to 2005*

Revenues from rental property increased \$88.3 million or 17.5% to \$593.9 million for the year ended December 31, 2006, as compared with \$505.6 million for the corresponding period ended December 31, 2005. This net increase resulted primarily from the combined effect of (i) the acquisition of operating properties during 2005 and 2006, providing incremental revenues for the year ended December 31, 2006 of approximately \$72.3 million, (ii) an overall increase in shopping center portfolio occupancy to 95.5% at December 31, 2006, as compared to 94.6% at December 31, 2005 and the completion of certain redevelopment and development projects providing incremental revenues of approximately \$33.6 million for the year ended December 31, 2006 as compared to the corresponding period in 2005, offset by (iii) a

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

decrease in revenues of approximately \$17.6 million for the year ended December 31, 2006, as compared to the corresponding period in 2005, resulting from the transfer of operating properties to various unconsolidated joint venture entities, tenant buyouts, and the sale of certain properties during 2005 and 2006.

Rental property expenses, including depreciation and amortization, increased approximately \$67.4 million or 28.7% to \$302.5 million for the year ended December 31, 2006, as compared with \$235.1 million for the corresponding year ended December 31, 2005. This increase is primarily due to operating property acquisitions during 2006 and 2005 which were partially offset by operating property dispositions including those transferred to various joint venture entities.

Mortgage and other financing income decreased \$8.8 million to \$18.8 million for the year ended December 31, 2006, as compared to \$27.6 million for the corresponding period in 2005. This decrease is primarily due to the recognition in 2005 of a prepayment fee of \$14.0 million received by the Company relating to the early repayment by Shopko of its outstanding loan with the Company, offset by accretion income of approximately \$6.2 million received in 2006, resulting from an early pre-payment of a mortgage receivable in June 2006, which had been acquired at a discount.

Management and other fee income increased approximately \$10.2 million for the year ended December 31, 2006, as compared to the corresponding period in 2005. This increase is primarily due to incremental fees earned from the Kimsouth portfolio and growth in the Company's other co-investment programs.

General and administrative expenses increased approximately \$20.9 million for the year ended December 31, 2006, as compared to the corresponding period in 2005. This increase is primarily due to personnel-related costs including the non-cash expensing of stock options granted, attributable to the growth of the Company.

Interest, dividends and other investment income increased approximately \$26.1 million for the year ended December 31, 2006, as compared to the corresponding period in 2005. This increase is primarily due to greater realized gains on the sale of certain marketable securities and increased interest and dividend income as a result of higher cash balances and the growth in the marketable securities portfolio during 2006 and 2005.

Interest expense increased \$46.0 million for the year ended December 31, 2006, as compared to the corresponding period in 2005. This increase is due to higher interest rates and higher outstanding levels of debt during this period as compared to the same period in the preceding year.

Income from other real estate investments increased \$20.3 million to \$77.1 million for the year ended December 31, 2006, as compared to \$56.8 million for the corresponding period in 2005. This increase is primarily due to (i) increased investment in the Company's Preferred Equity program which contributed \$40.1 million for the year ended December 31, 2006, including \$12.2 million of profit participation earned from 16 capital transactions,

as compared to \$32.8 million for the corresponding period in 2005, including \$12.6 million of profit participation earned from six capital transactions and (ii) pre-tax profits of \$7.9 million from the transfer of two properties from Kimsouth to a joint venture in which the Company has an 18% non-controlling interest. These profits exclude amounts that have been deferred as a result of the Company's continued ownership interest.

Equity in income of real estate joint ventures, net increased \$29.5 million to \$106.9 million for the year ended December 31, 2006, as compared to \$77.5 million for the corresponding period in 2005. This increase is primarily attributable to (i) increase in equity in income from the KROP primarily resulting from profit participation of approximately \$22.2 million and gains from the sale of nine operating properties, one land parcel and one out-parcel during 2006 of which the pro-rata share of gains to the Company were \$9.9 million for the year ended December 31, 2006, and (ii) the Company's growth of its various other real estate joint ventures. The Company has made additional capital investments in these and other joint ventures for the acquisition of additional shopping center properties by the ventures throughout 2005 and 2006.

During 2006, KDI sold six recently completed projects, its partnership interest in one project and 30 out-parcels, in separate transactions, for approximately \$260.0 million. These sales resulted in gains of approximately \$25.1 million, after income taxes of \$12.2 million. These gains exclude approximately \$1.1 million of gain relating to one project, which was deferred due to the Company's continued ownership interest.

During 2005, KDI, sold in separate transactions, 41 out-parcels and six recently completed projects for approximately \$264.1 million. These sales provided gains of approximately \$22.8 million, after income taxes of approximately \$10.8 million.

During 2006, the Company disposed of (i) 28 operating properties and one ground lease, for an aggregate sales price of \$270.5 million, which resulted in an aggregate net gain of approximately \$71.7 million, net of income taxes of \$2.8 million relating to the sale of two properties, and (ii) transferred five operating properties, to joint ventures in which the Company has 20% non-controlling interests for an aggregate price of approximately \$95.4 million, which resulted in a gain of approximately \$1.4 million from one transferred property.

During 2005, the Company disposed of, in separate transactions, (i) 20 operating properties for an aggregate sales price of approximately \$93.3 million, (ii) transferred three operating properties to KROP for an aggregate price of approximately \$49.0 million, and (iii) transferred 52 operating properties to various joint ventures in which the Company has non-controlling interests ranging from 15% to 50% for an aggregate price of approximately \$183.1 million. For the year ended December 31, 2005, these transactions resulted in gains of approximately \$31.9 million and a loss on sale/transfer from four of the properties for \$5.2 million.

Net income for the year ended December 31, 2006 was \$428.3 million. Net income for the year ended December 31, 2005 was \$363.6 million. On a diluted per share basis, net income improved \$0.18 to \$1.70 for the year ended December 31, 2006, as compared to \$1.52 for the corresponding period in 2005. These increases are attributable to (i) an increase in revenues from rental properties primarily due to acquisitions in 2005 and 2006, (ii) increased income from other real estate investments primarily due to increased investments in the Company's Preferred Equity program, (iii) an increase in equity in income of real estate joint ventures achieved from profit participation and gains on sale of joint venture operating properties and additional capital investment in the Company's joint venture programs for the acquisition of additional operating properties throughout 2006 and 2005, (iv) increased gains on sales of operating properties in 2006 and (v) increased income contributed from the marketable securities portfolio in 2006 as compared to 2005, partially offset by, (vi) an increase in interest expense due to higher interest rates and increased borrowings during 2006.

#### *Comparison 2005 to 2004*

Revenues from rental property increased \$14.7 million or 3.0% to \$505.6 million for the year ended December 31, 2005, as compared with \$490.9 million for the year ended December 31, 2004. This net increase resulted primarily from the combined effect of (i) acquisitions during 2005 and 2004 providing incremental revenues of \$33.8 million for the year ended December 31, 2005, and (ii) an overall increase in shopping center portfolio occupancy to 94.6% at December 31, 2005, as compared to 93.6% at December 31, 2004 and the completion of certain redevelopment projects and tenant buyouts providing incremental revenues of approximately \$18.1 million for the year ended December 31, 2005, as compared to the corresponding period in 2004, offset by (iii) a decrease in revenues of approximately \$37.2 million for the year ended December 31, 2005, as compared to the corresponding period in 2004, resulting from the sale of certain properties and the transfer of operating properties to various unconsolidated joint venture entities during 2005 and 2004.

Rental property expenses, including depreciation and amortization, increased approximately \$13.5 million or 6.1% to \$235.1 million for the year ended December 31, 2005, as compared with \$221.6 million for the preceding year. These increases are primarily due to operating property acquisitions during 2005 and 2004, which were partially offset by property dispositions and operating properties transferred to various unconsolidated joint venture entities.

Mortgage and other financing income increased \$12.6 million to \$27.6 million for the year ended December 31, 2005, as compared to \$15.0 million for the year ended December 31, 2004. This increase primarily relates to a \$14.0 million prepayment fee received by the Company relating to the early repayment by Shopko of its outstanding loan with the Company.

Management and other fee income increased approximately \$5.0 million to \$30.5 million for the year ended December 31, 2005, as compared to \$25.5 million in the corresponding period in 2004. This increase is primarily due to incremental fees earned from growth in the co-investment programs.

General and administrative expenses increased approximately \$13.3 million to \$56.8 million for the year ended December 31, 2005, as compared to \$43.5 million in the preceding calendar year. This increase is primarily due to (i) a \$1.4 million increase in professional fees, due in part to compliance with section 404 of the Sarbanes-Oxley Act, (ii) a \$3.0 million increase due to the non-cash expensing of the value attributable to stock options granted and (iii) increased personnel and systems related costs associated with the growth of the Company.

Interest, dividends and other investment income increased approximately \$9.6 million to \$28.3 million for the year ended December 31, 2005, as compared to \$18.7 million in 2004. This increase is primarily due to greater dividend income and realized gains on the sale of certain marketable securities during 2005 as compared to the preceding year.

Interest expense increased \$20.7 million to \$126.9 million for the year ended December 31, 2005, as compared with \$106.2 million for the year ended December 31, 2004. This increase is primarily due to an overall increase in average borrowings outstanding during the year ended December 31, 2005, as compared to the preceding year, resulting from the funding of investment activity during 2005.

Income from other real estate investments increased \$26.6 million to \$56.7 million for the year ended December 31, 2005, as compared to \$30.1 million for the preceding year. This increase is primarily due to increased investment in the Company's Preferred Equity program, which contributed income of \$32.8 million during 2005, including an aggregate of approximately \$12.6 million of profit participation earned from six capital transactions during 2005, as compared to \$11.4 million in 2004.

Equity in income of real estate joint ventures, net increased \$21.1 million to \$77.5 million for the year ended December 31, 2005, as compared with \$56.4 million for the corresponding period in 2004. This increase is primarily attributable to (i) the increased equity in income from KIR resulting from the sale of two operating properties during 2005 which provided an aggregate gain of \$20.2 million, of which the pro-rata share to the Company was \$8.7 million, (ii) increased equity in income in three joint venture investments resulting from the sale of two operating properties and one development property during 2005, which provided aggregate gains of approximately \$17.9 million, of which the pro-rata share to the Company was approximately \$8.8 million, and (iii) the Company's growth of its various other real estate joint ventures. The Company has made additional capital investments in these and other joint ventures for the acquisition of additional shopping center properties throughout 2005 and 2004.

During 2005, KDI, the Company's wholly-owned development taxable REIT subsidiary, in separate transactions, sold six

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

completed projects and 41 out-parcels for approximately \$264.1 million. These sales provided gains of approximately \$22.8 million, after income taxes of approximately \$10.8 million.

During 2004, KDI, in separate transactions, sold five completed projects, three completed phases of projects and 28 out-parcels for approximately \$169.4 million. These sales provided gains of approximately \$12.4 million, after income taxes of approximately \$4.4 million.

During 2005, the Company (i) disposed of, in separate transactions, 20 operating properties for an aggregate sales price of approximately \$93.3 million, (ii) transferred three operating properties to KROP for an aggregate price of approximately \$49.0 million, (iii) transferred 52 operating properties to various joint ventures in which the Company has non-controlling interests ranging from 15% to 50% for an aggregate price of approximately \$183.1 million. For the year ended December 31, 2005, these transactions resulted in gains of approximately \$31.9 million and a loss on sale/transfer from four of the properties for \$5.2 million.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately \$81.1 million, including the assignment of approximately \$8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately \$16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP for an aggregate price of approximately \$197.9 million and (iii) transferred 21 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30% for an aggregate price of approximately \$491.2 million. For the year ended December 31, 2004, these dispositions resulted in gains of approximately \$15.8 million and a loss on sale from three of the properties of approximately \$5.1 million.

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a net book value of \$3.8 million, might not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period of this investment. As a result of the reduction in the anticipated holding period, together with reassessment of the potential future operating cash flow for the property and the effects of current market conditions, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately \$3.0 million in 2004. This adjustment was included, along with the related property operations in the line Income from discontinued operating properties, in the Company's Consolidated Statements of Income.

Net income for the year ended December 31, 2005, was \$363.6 million, compared to \$297.1 million for the year ended December 31, 2004. On a diluted per share basis, net income increased \$0.26 to \$1.52 for the year ended December 31, 2005, as compared to \$1.26 for the previous year. This increase is attributable to (i) increased income from other real estate investments, primarily from the Company's Preferred Equity program, (ii) an increase in equity in income of real estate joint ventures achieved from gains on sales of joint venture operating properties and additional capital investments in the Company's joint venture programs for the acquisition of additional shopping center properties throughout 2005 and 2004, (iii) increased income contributed from mortgage and other financing receivables as compared to last year and (iv) increased gains on sale/transfer of development and operating properties during 2005, as compared to the same period during 2004.

## Tenant Concentrations

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31, 2006, the Company's five largest tenants were The Home Depot, TJX Companies, Sears Holdings, Kohl's and Wal-Mart, which represented approximately 3.5%, 2.9%, 2.5%, 2.2% and 2.1%, respectively, of the Company's annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

## Liquidity and Capital Resources

The Company's cash flow activities are summarized as follows (in millions):

Year Ended December 31,	2006	2005	2004
Net cash flow provided by operating activities	\$ 455.6	\$ 410.8	\$ 365.2
Net cash flow used for investing activities	\$(246.2)	\$(716.0)	\$(299.6)
Net cash flow provided by (used for) financing activities	\$ 59.4	\$ 343.3	\$ (75.6)

## Operating Activities

The Company anticipates that cash flows from operations will continue to provide adequate capital to fund its operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short term and long term. In addition, the Company anticipates that cash on hand, borrowings under its revolving credit facilities, issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company. Net cash flow provided by operating

activities for the year ended December 31, 2006, was primarily attributable to (i) cash flow from the diverse portfolio of rental properties, (ii) the acquisition of operating properties during 2005 and 2006, (iii) new leasing, expansion and re-tenanting of core portfolio properties and (iv) growth in the Company's joint venture and Preferred Equity programs.

### Investing Activities

#### *Acquisitions and Redevelopments*

During the year ended December 31, 2006, the Company expended approximately \$484.8 million towards acquisition of and improvements to operating real estate. (See Note 3 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

The Company has an ongoing program to reformat and re-tenant its properties to maintain or enhance its competitive position in the marketplace. During the year ended December 31, 2006, the Company expended approximately \$62.2 million in connection with these major redevelopments and re-tenanting projects. The Company anticipates its capital commitment toward these and other redevelopment projects during 2007 will be approximately \$125.0 million to \$150.0 million. The funding of these capital requirements will be provided by cash flow from operating activities and availability under the Company's revolving lines of credit.

#### *Investments and Advances to Real Estate Joint Ventures*

During the year ended December 31, 2006, the Company expended approximately \$472.7 million for investments and advances to real estate joint ventures and received approximately \$183.4 million from reimbursements of advances to real estate joint ventures. (See Note 7 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

#### *Ground-up Development*

The Company is engaged in ground-up development projects which consists of (i) merchant building through the Company's wholly-owned taxable REIT subsidiary, KDI, which develops neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) U.S. ground-up development projects which will be held as long-term investments by the Company and (iii) various ground-up development projects located in Mexico and Canada for long-term investment. All ground-up development projects generally have substantial pre-leasing prior to the commencement of construction. As of December 31, 2006, the Company had in progress a total of 45 ground-up development projects including 23 merchant building projects, six domestic ground-up development projects, and 16 ground-up development projects located throughout Mexico.

During the year ended December 31, 2006, the Company expended approximately \$619.1 million in connection with the purchase of land and construction costs related to these projects and those sold during 2006. These projects are currently proceeding on schedule and substantially in line with the Company's

budgeted costs. The Company anticipates its capital commitment during 2007 toward these and other development projects will be approximately \$550 million to \$600 million. The proceeds from the sales of the completed ground-up development projects, proceeds from construction loans and availability under the Company's revolving lines of credit are expected to be sufficient to fund these anticipated capital requirements. (See Note 3 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

#### *Dispositions and Transfers*

During the year ended December 31, 2006, the Company received net proceeds of approximately \$342.8 million relating to the sale of various operating properties and ground-up development projects and approximately \$1.2 billion from the transfer of operating properties to various joint ventures. (See Notes 3 and 7 of the Notes to the Consolidated Financial Statements included in this Annual Report.)

### Financing Activities

It is management's intention that the Company continually have access to the capital resources necessary to expand and develop its business. As such, the Company intends to operate with and maintain a conservative capital structure with a level of debt to total market capitalization of 50% or less. As of December 31, 2006, the Company's level of debt to total market capitalization was 23%. In addition, the Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings. The Company may, from time to time, seek to obtain funds through additional equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other capital alternatives in a manner consistent with its intention to operate with a conservative debt structure.

Since the completion of the Company's IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over \$4.9 billion. Proceeds from public capital market activities have been used for the purposes of, among other things, repaying indebtedness, acquiring interests in neighborhood and community shopping centers, funding ground-up development projects, expanding and improving properties in the portfolio and other investments. In March 2006, the Company was added to the S & P 500 Index, an index containing the stock of 500 Large Cap corporations, most of which are U.S. corporations.

The Company has an \$850.0 million unsecured revolving credit facility, which is scheduled to expire in July 2008. This credit facility has made available funds to both finance the purchase of properties and other investments and meet any short-term working capital requirements. As of December 31, 2006, there was no outstanding balance under this credit facility.

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

The Company also has a three-year CAD \$250.0 million unsecured credit facility with a group of banks. This facility bore interest at the CDOR Rate, as defined, plus 0.50%, and is scheduled to expire in March 2008. During January 2006, the facility was further amended to reduce the borrowing spread to 0.45% and to modify the covenant package to conform to the Company's \$850.0 million U.S. Credit Facility. Proceeds from this facility are used for general corporate purposes, including the funding of Canadian denominated investments. As of December 31, 2006, there was no outstanding balance under this credit facility.

Additionally, the Company has a three-year MXP 500.0 million unsecured revolving credit facility. This facility bears interest at the TIIE Rate, as defined therein, plus 1.00% and is scheduled to expire in May 2008. Proceeds from this facility are used to fund peso denominated investments. As of December 31, 2006, there was no outstanding balance under this credit facility.

The Company has a MTN program pursuant to which it may, from time-to-time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company's debt maturities. (See Note 11 of the Notes to Consolidated Financial Statements included in this Annual Report.)

During March 2006, the Company issued \$300.0 million of fixed rate unsecured senior notes under its MTN program. This fixed rate MTN matures March 15, 2016 and bears interest at 5.783% per annum. The proceeds from this MTN issuance were primarily used to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility and for general corporate purposes.

During June 2006, the Company entered into a third supplemental indenture, under the indenture governing its medium-term notes and senior notes, which amended the (i) total debt test and secured debt test by changing the asset value definition from undepreciated real estate assets to total assets, with total assets being defined as undepreciated real estate assets, plus other assets (but excluding goodwill and amortized debt costs) and (ii) maintenance of unencumbered total asset value covenant by increasing the requirement of the ratio of unencumbered total asset value to outstanding unsecured debt from 1 to 1 to 1.5 to 1. Additionally, the same amended covenants were adopted within the Canadian supplemental indenture, which governs the 4.45% Canadian Debentures due in 2010. As a result of the amended covenants, the Company has increased its borrowing capacity by approximately \$2.0 billion.

During August 2006, Kimco North Trust III, a wholly-owned subsidiary of the Company, completed the issuance of \$200.0 million Canadian denominated senior unsecured notes. The notes bear interest at 5.18% and mature on August 16, 2013. The proceeds were used by Kimco North Trust III, to pay down

outstanding indebtedness under existing credit facilities, to fund long-term investments in Canadian real estate and for general corporate purposes.

In connection with the October 31, 2006, Pan Pacific merger transaction, the Company assumed \$650.0 million of unsecured notes payable, including \$20.0 million of fair value debt premiums. These notes bear interest at fixed rates ranging from 4.70% to 7.95% per annum and have maturity dates ranging from June 29, 2007 to September 1, 2015 (see Recent Developments – Operating Real Estate Joint Venture Investments - Pan Pacific Retail Properties Inc. and Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report).

During 2006, the Company repaid its \$30.0 million 6.93% fixed rate notes, which matured on July 20, 2006, \$100.0 million floating rate notes, which matured on August 1, 2006, and \$55.0 million 7.50% fixed rate notes, which matured on November 5, 2006.

In addition to the public equity and debt markets as capital sources, the Company may, from time-to-time, obtain mortgage financing on selected properties and construction loans to partially fund the capital needs of KDI. As of December 31, 2006, the Company had over 390 unencumbered property interests in its portfolio.

During March 2006, the Company completed a primary public stock offering of 10,000,000 shares of Common Stock. The net proceeds from this sale of Common Stock, totaling approximately \$405.5 million (after related transaction costs of \$2.5 million) were primarily used to repay the outstanding balance under the Company's U.S. revolving credit facility, partial repayment of the outstanding balance under the Company's Canadian denominated credit facility and for general corporate purposes.

During March 2006, the shareholders of Atlantic Realty approved a proposed merger with the Company, and the closing occurred on March 31, 2006. As consideration for this transaction, the Company issued Atlantic Realty shareholders 1,274,420 shares of Common Stock, excluding 748,510 shares of Common Stock that were to be received by the Company, at a price of \$40.41 per share. (See Note 17 of the Notes to Consolidated Financial Statements included in this Annual Report.)

During May 2006, the Company filed a shelf registration statement on Form S-3ASR, which is effective for a term of three years, for the unlimited future offerings, from time to time, of debt securities, preferred stock, depositary shares, common stock and common stock warrants.

On September 25, 2006, Pan Pacific stockholders approved the proposed merger with the Company and the closing occurred on October 31, 2006. Under the terms of the merger agreement, the Company agreed to acquire all of the outstanding shares of Pan Pacific for a total merger consideration of \$70.00 per share. As permitted under the merger agreement, the Company elected to issue \$10.00 per share of the total merger consideration in the form of Common Stock. As such, the Company issued 9,185,847

million shares of Common Stock valued at approximately \$407.7 million (see Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report).

During 2006, the Company received approximately \$43.8 million through employee stock option exercises and the dividend reinvestment program.

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows, which are expected to increase due to property acquisitions, growth in operating income in the existing portfolio and from other investments. Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate. Cash dividends paid increased to \$332.6 million in 2006, compared to \$293.3 million in 2005 and \$265.3 million in 2004.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments.

### Contractual Obligations and Other Commitments

The Company has debt obligations relating to its revolving credit facilities, MTNs, senior notes, mortgages and construction loans with maturities ranging from less than one year to 29 years. As of December 31, 2006, the Company's total debt had a weighted average term to maturity of approximately 5.7 years. In addition, the Company has non-cancelable operating leases pertaining to its shopping center portfolio. As of December 31, 2006, the Company has 82 shopping center properties that are subject to long-term ground leases where a third party owns and has leased the underlying land to the Company to construct and/or operate a shopping center. In addition, the Company has 20 non-cancelable operating leases pertaining to its retail store lease portfolio. The following table summarizes the Company's debt maturities and obligations under non-cancelable operating leases as of December 31, 2006 (in millions):

	2007	2008	2009	2010	2011	There- after	Total
Long-Term Debt	\$457.0	\$302.0	\$254.5	\$241.4	\$410.2	\$1,922.2	\$3,587.3
Operating Leases							
Ground Leases	\$ 14.9	\$ 14.8	\$ 14.3	\$ 12.4	\$ 10.1	\$ 175.8	\$ 242.3
Retail Store Leases	\$ 4.6	\$ 4.0	\$ 3.6	\$ 3.2	\$ 2.6	\$ 2.2	\$ 20.2

The Company has \$250.0 million of medium term notes, \$42.8 million of mortgage debt and \$164.2 million of construction loans maturing in 2007. The Company anticipates satisfying

these maturities with a combination of operating cash flows, its unsecured revolving credit facilities, new debt issuances and the sale of completed ground-up development projects.

The Company has issued letters of credit in connection with completion and repayment guarantees for construction loans encumbering certain of the Company's ground-up development projects and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$34.9 million.

During October 2006, the Company closed on the Pan Pacific merger, which had a total value of approximately \$4.1 billion. Funding for this transaction was provided by approximately \$1.3 billion of new individual non-recourse mortgage loans encumbering 51 properties, a \$1.2 billion two year credit facility provided by a consortium of banks and guaranteed by the joint venture partners described below and the Company, the issuance of 9,185,847 shares of Common Stock valued at approximately \$407.7 million, which was based upon the average closing price of Common Stock over the ten trading days immediately preceding the closing date, the assumption of approximately \$630.0 million of unsecured bonds and approximately \$289.4 million of existing non-recourse mortgage debt encumbering 23 properties and approximately \$300.0 million in cash. With respect to the \$1.2 billion guarantee by the Company, PREI, as defined below, guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make. The Company evaluated this guarantee in connection with the provisions of FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others and determined that the impact did not have a material effect on the Company's financial position or results of operations.

Immediately following the merger, the Company commenced its joint venture agreements with Prudential Real Estate Investors ("PREI") through three separate accounts managed by PREI. In accordance with the joint venture agreements, all Pan Pacific assets and the approximate \$1.6 billion of non-recourse mortgage debt and the \$1.2 billion credit facility mentioned above were transferred to the separate accounts. PREI contributed approximately \$1.1 billion on behalf of institutional investors in three of its portfolios. The Company holds 15% non-controlling ownership interests in each of these joint ventures, with a total aggregate investment of approximately \$194.8 million, and will account for these investments under the equity method of accounting. In addition, the Company will manage the portfolios and earn acquisition fees, leasing commissions, property management fees and construction management fees.

During 2006, an entity in which the Company has a preferred equity investment, located in Montreal, Canada, obtained a non-recourse construction loan, which is collateralized by the respective land and project improvements. Additionally, the Company has provided a guaranty to the lender and the developer partner has provided an indemnity to the Company for 25% of all debt.

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

As of December 31, 2006, there was CAD \$40.0 million (approximately USD \$35.8 million) outstanding on this construction loan.

Additionally, during 2006, KROP obtained a one year \$15.0 million unsecured term loan, which bears interest at LIBOR plus 0.5%. This loan is guaranteed by the Company and GECRE has guaranteed reimbursement to the Company of 80% of any guaranty payment the Company is obligated to make.

In connection with the construction of its development projects and related infrastructure, certain public agencies require performance and surety bonds be posted to guarantee that the Company's obligations are satisfied. These bonds expire upon the completion of the improvements and infrastructure. As of December 31, 2006, there were approximately \$92.5 million bonds outstanding.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$7.0 million (approximately USD \$6.0 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD \$3.9 million (approximately USD \$3.4 million) outstanding as of December 31, 2006, relating to various development projects.

During 2005, a joint venture entity in which the Company has a non-controlling interest obtained a CAD \$22.5 million (approximately USD \$19.3 million) credit facility to finance the construction of a 0.1 million square foot shopping center property located in Kamloops, B.C. This facility bears interest at Royal Bank Prime Rate ("RBP") plus 0.5% per annum and is scheduled to mature in May 2007. The Company and its partner in this entity each have a limited and several guarantee of CAD \$7.5 million (approximately USD \$6.4 million) on this facility. As of December 31, 2006, there was CAD \$21.0 million (approximately USD \$18.0 million) outstanding on this facility.

During 2005, PL Retail entered into a \$39.5 million unsecured revolving credit facility, which bears interest at LIBOR plus 0.675% and was scheduled to mature in February 2007. During 2007, the loan was extended to February 2008 at a reduced rate of LIBOR plus 0.45%. This facility is guaranteed by the Company and the joint venture partner has guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make. As of December 31, 2006, there was \$39.5 million outstanding under this facility.

Additionally, during 2005, the Company acquired three operating properties and one land parcel, through joint ventures, in which the Company holds 50% non-controlling interests. Subsequent to these acquisitions, the joint ventures obtained four

individual one-year loans aggregating \$20.4 million with interest rates ranging from LIBOR plus 0.50% to LIBOR plus 0.55%. During 2006, these term loans were extended for an additional year. These loans are jointly and severally guaranteed by the Company and the joint venture partner.

During 2006, the Company obtained construction financing on three ground-up development projects for an original loan commitment amount of up to \$83.8 million of which approximately \$36.0 million was outstanding at December 31, 2006. As of December 31, 2006, the Company had a total of 13 construction loans with total commitments of up to \$330.9 million of which \$271.0 million had been funded to the Company. These loans had maturities ranging from two months to 31 months and interest rates ranging from 6.87% to 7.32% at December 31, 2006.

## Off-Balance Sheet Arrangements

### *Ground-Up Development Joint Ventures*

At December 31, 2006, the Company has three ground-up development projects through unconsolidated joint ventures in which the Company has 50% non-controlling interests. Two projects are financed with individual non-recourse construction loans and one term loan with total aggregate loan commitments of up to \$249.4 million of which \$128.6 million has been funded. These loans have variable interest rates ranging from 5.82% to 8.25% at December 31, 2006, and maturities ranging from four months to 10 months.

### *Unconsolidated Real Estate Joint Ventures*

The Company has investments in various unconsolidated real estate joint ventures with varying structures. These joint ventures operate either shopping center properties or are established for development projects. Such arrangements are generally with third-party institutional investors, local developers and individuals. The properties owned by the joint ventures are primarily financed with individual non-recourse mortgage loans. Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage. The lender generally does not have recourse against any other assets owned by the borrower or any of the constituent members of the borrower, except for certain specified exceptions listed in the particular loan documents (see Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report). These investments include the following joint ventures:

Venture	Kimco Ownership Interest	Number of Properties	Total GLA (in thousands)	Non-Recourse Mortgage Payable (in millions)	Recourse Notes Payable (in millions)	Number of Encumbered Properties	Average Interest Rate	Weighted Average Term (months)
KimPru	15.00%	137	19,645	\$ 1,545.1	\$ 1,235.3(c)	72	5.73%	63.8
KIR	45.00%	66	13,996	\$ 1,080.7	\$ 14.0	64	7.06%	49.9
KROP	20.00%	25	3,606	\$ 318.9(b)	\$ 15.0(c)	25	6.30%	41.8
PL Retail	15.00%	23	5,809	\$ 682.2	\$ 39.5(c)	23	6.48%	30.7
KUBS	18.93%(a)	31	4,994	\$ 592.2	\$ —	31	5.59%	96.7
RioCan Venture	50.00%	34	8,140	\$ 641.4	\$ —	34	6.32%	69.9

(a) Ownership % is a blended rate.

(b) KROP has entered into a series of interest rate cap agreements to mitigate the impact of changes in interest rates on its variable-rate mortgage agreements. Such mortgage debt is collateralized by the individual shopping center property and is payable in monthly installments of principal and interest.

(c) See Contractual Obligations and Other Commitments regarding guarantees by the Company and its joint venture partners.

The Company has various other unconsolidated real estate joint ventures with varying structures. As of December 31, 2006, these unconsolidated joint ventures had individual non-recourse mortgage loans aggregating approximately \$2.2 billion. The Company's pro-rata share of these non-recourse mortgages was approximately \$734.1 million. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

#### Other Real Estate Investments

The Company maintains a Preferred Equity program, which provides capital to developers and owners of real estate properties. The Company accounts for its preferred equity investments under the equity method of accounting. As of December 31, 2006, the Company's net investment under the Preferred Equity Program was approximately \$400.4 million relating to 215 properties. As of December 31, 2006, these preferred equity investment properties had individual non-recourse mortgage loans aggregating approximately \$1.2 billion. Due to the Company's preferred position in these investments, the Company's pro-rata share of each investment is subject to fluctuation and is dependent upon property cash flows. The Company's maximum exposure to losses associated with its preferred equity investments is primarily limited to its invested capital.

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately \$4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, Accounting for Leases (as amended). The net investment in leveraged lease reflects the original cash investment adjusted by remaining net rentals, estimated unguaranteed residual value, unearned and deferred income, and deferred taxes relating to the investment.

As of December 31, 2006, 16 of these properties were sold, whereby the proceeds from the sales were used to pay down the

mortgage debt by approximately \$29.1 million. As of December 31, 2006, the remaining 14 properties were encumbered by third-party non-recourse debt of approximately \$53.8 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease. As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this debt has been offset against the related net rental receivable under the lease.

#### Effects of Inflation

Many of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive payment of additional rent calculated as a percentage of tenants' gross sales above pre-determined thresholds, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses often include increases based upon changes in the consumer price index or similar inflation indices. In addition, many of the Company's leases are for terms of less than 10 years, which permits the Company to seek to increase rents to market rates upon renewal. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. The Company periodically evaluates its exposure to short-term interest rates and foreign currency exchange rates and will, from time-to-time, enter into interest rate protection agreements and/or foreign currency hedge agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt and fluctuations in foreign currency exchange rates.

#### New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN 48"), regarding accounting for and disclosure of uncertain tax positions. This guidance seeks to reduce the diversity in practice associated with certain aspects of the recognition and measure-

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

ment related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the provisions of FIN 48, but does not expect its adoption to have a material impact on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The impact of adopting SFAS No. 157 is not expected to have a material impact on the Company's financial position or results of operations.

Additionally in September 2006, the United States Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"), which provides interpretive guidance on how registrants should quantify financial statement misstatements. SAB 108 requires registrants to quantify misstatements using both balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relative quantitative and qualitative factors. For transition purposes, the registrants will be permitted to restate prior period financial statements or recognize the cumulative effect of initially applying SAB 108 through an adjustment to beginning retained earnings in the year of adoption. SAB 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The impact of adopting SAB 108 did not have a material impact on the Company's financial position or results of operations.

In December 2006, the FASB issued FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements. EITF 00-19-2 addresses an issuer's accounting for registration payment arrangements and specifies that the contingent obligation to make future payments or otherwise transfer

consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. The guidance in EITF 00-19-2 amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, and FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45"), to include scope exceptions for registration payment arrangements. EITF 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles (GAAP) without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. EITF 00-19-2 shall be effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of this EITF, or for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years. The Company does not expect the adoption of EITF 00-19-2 to have a material impact on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on the Company's financial position or results of operations.

## Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The following table presents the Company's aggregate fixed rate and variable rate domestic and foreign debt obligations outstanding as of December 31, 2006, with corresponding weighted-average interest rates sorted by maturity date. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency. The instruments actual cash flows are denominated in U.S. dollars and Canadian dollars, as indicated by geographic description (\$USD equivalent in millions).

	2007	2008	2009	2010	2011	2012+	Total	Fair Value
<b>U.S. Dollar Denominated</b>								
<b>Secured Debt</b>								
Fixed Rate	\$ 26.5	\$ 94.8	\$ 49.2	\$ 19.9	\$ 46.7	\$ 304.5	\$ 541.6	\$ 555.6
Average Interest Rate	8.06%	7.21%	7.83%	8.39%	7.42%	6.53%	6.99%	
Variable Rate	\$173.5	\$ 81.5	\$ 25.3	\$ 16.4	\$ —	\$ 0.6	\$ 297.3	\$ 297.3
Average Interest Rate	7.22%	7.04%	6.91%	7.35%	—	8.25%	7.15%	
<b>Unsecured Debt</b>								
Fixed Rate	\$250.0	\$ 125.7	\$180.0	\$ 76.5	\$363.4	\$1,445.7	\$2,441.3	\$2,457.9
Average Interest Rate	6.83%	4.61%	6.98%	5.55%	6.36%	5.50%	5.83%	
Variable Rate	\$ 6.9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6.9	\$ 6.9
Average Interest Rate	8.00%	—	—	—	—	—	8.00%	

	2007	2008	2009	2010	2011	2012+	Total	Fair Value
<b>Canadian Dollar Denominated</b>								
Unsecured Debt								
Fixed Rate	\$ —	\$ —	\$ —	\$ 128.6	\$ —	\$ 171.5	\$ 300.1	\$ 297.9
Average Interest Rate	—	—	—	4.45%	—	5.18%	4.87%	

Based on the Company's variable-rate debt balances, interest expense would have increased by approximately \$3.0 million in 2006 if short-term interest rates were 1.0% higher.

As of December 31, 2006, the Company had Canadian investments totaling approximately CAD \$801.3 million (approximately USD \$687.2 million) comprised of real estate joint venture investments and marketable securities. In addition, the Company has Mexican real estate investments of approximately MXP 5.0 billion (approximately USD \$463.2 million). The foreign currency exchange risk has been partially mitigated through the use of local currency denominated debt, inflation

adjusted leases, and a cross currency swap (the "CC Swap"). The Company is exposed to credit risk in the event of non-performance by the counter-party to the CC Swap. The Company believes it has mitigated its credit risk by entering into the CC Swap with a major financial institution.

The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of December 31, 2006, the Company had no other material exposure to market risk.

## Controls and Procedures

### *Evaluation of Disclosure Controls and Procedures*

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

### *Changes in Internal Control over Financial Reporting*

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management,

including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

# Report of Independent Registered Public Accounting Firm

## To the Board of Directors and Stockholders of Kimco Realty Corporation:

We have completed integrated audits of Kimco Realty Corporation's consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

### *Consolidated financial statements*

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Kimco Realty Corporation and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

### *Internal control over financial reporting*

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the

standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York  
February 27, 2007

# Consolidated Balance Sheets

(in thousands, except share information)

	December 31, 2006	December 31, 2005
<b>Assets:</b>		
Real Estate		
Rental property		
Land	\$ 978,819	\$ 686,123
Building and improvements	3,984,518	3,263,162
	4,963,337	3,949,285
Less, accumulated depreciation and amortization	806,670	740,127
	4,156,667	3,209,158
Real estate under development	1,037,982	611,121
Real estate, net	5,194,649	3,820,279
Investment and advances in real estate joint ventures	1,067,918	735,648
Other real estate investments	451,731	283,035
Mortgages and other financing receivables	162,669	132,675
Cash and cash equivalents	345,065	76,273
Marketable securities	202,659	206,452
Accounts and notes receivable	83,418	64,329
Deferred charges and prepaid expenses	95,163	84,022
Other assets	266,008	131,923
	<b>\$ 7,869,280</b>	<b>\$ 5,534,636</b>
<b>Liabilities &amp; Stockholders' Equity:</b>		
Notes payable	\$ 2,748,345	\$ 2,147,405
Mortgages payable	567,917	315,336
Construction loans payable	270,981	228,455
Accounts payable and accrued expenses	256,890	119,605
Dividends payable	93,222	78,168
Other liabilities	139,724	135,609
	4,077,079	3,024,578
Minority interests	425,242	122,844
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$1.00 par value, authorized 3,600,000 shares		
Class F Preferred Stock, \$1.00 par value, authorized 700,000 shares		
Issued and outstanding 700,000 shares	700	700
Aggregate liquidation preference \$175,000		
Common stock, \$.01 par value, authorized 300,000,000 shares		
Issued 251,416,749 shares; outstanding 250,870,169 at December 31, 2006;		
Issued and outstanding 228,059,056 shares at December 31, 2005	2,509	2,281
Paid-in capital	3,178,016	2,255,332
Retained earnings	140,509	59,855
	3,321,734	2,318,168
Accumulated other comprehensive income	45,225	69,046
	<b>3,366,959</b>	<b>2,387,214</b>
	<b>\$ 7,869,280</b>	<b>\$ 5,534,636</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Income

(in thousands, except share information)

	Year Ended December 31,		
	2006	2005	2004
Revenues from rental property	\$ 593,880	\$ 505,557	\$ 490,901
Rental property expenses:			
Rent	11,786	10,267	10,794
Real estate taxes	75,515	64,731	63,250
Operating and maintenance	74,178	58,715	52,162
	161,479	133,713	126,206
	432,401	371,844	364,695
Mortgage and other financing income	18,816	27,586	15,032
Management and other fee income	40,684	30,474	25,445
Depreciation and amortization	(141,070)	(101,432)	(95,398)
General and administrative expenses	(77,683)	(56,799)	(43,524)
Interest, dividends and other investment income	54,417	28,350	18,701
Other income, net	9,522	5,400	10,031
Interest expense	(172,888)	(126,901)	(106,239)
	164,199	178,522	188,743
Provision for income taxes	(4,387)	(165)	(3,919)
Income from other real estate investments	77,062	56,751	30,127
Equity in income of real estate joint ventures, net	106,930	77,454	56,385
Minority interests in income, net	(26,254)	(12,260)	(9,660)
Gain on sale of development properties net of tax of \$12,155, \$10,824 and \$4,401, respectively	25,121	22,812	12,434
<b>Income from continuing operations</b>	<b>342,671</b>	<b>323,114</b>	<b>274,110</b>
<b>Discontinued operations:</b>			
Income from discontinued operating properties	14,004	14,337	12,749
Minority interest from discontinued operating properties	(1,497)	(476)	(481)
Loss on operating properties held for sale/sold	(1,421)	(5,098)	(5,064)
Gain on disposition of operating properties, net of tax	72,042	28,918	15,823
<b>Income from discontinued operations</b>	<b>83,128</b>	<b>37,681</b>	<b>23,027</b>
Gain on transfer of operating properties	1,394	2,301	—
Loss on transfer of operating property	—	(150)	—
Gain on sale of operating properties, net of tax	1,066	682	—
	2,460	2,833	—
<b>Net income</b>	<b>428,259</b>	<b>363,628</b>	<b>297,137</b>
Preferred stock dividends	(11,638)	(11,638)	(11,638)
<b>Net income available to common shareholders</b>	<b>\$ 416,621</b>	<b>\$ 351,990</b>	<b>\$ 285,499</b>
Per common share:			
Income from continuing operations:			
-Basic	\$ 1.39	\$ 1.39	\$ 1.18
-Diluted	\$ 1.36	\$ 1.36	\$ 1.16
Net income :			
-Basic	\$ 1.74	\$ 1.55	\$ 1.28
-Diluted	\$ 1.70	\$ 1.52	\$ 1.26
Weighted average common shares outstanding:			
-Basic	239,552	226,641	222,859
-Diluted	244,615	230,868	227,143

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2006	2005	2004
Net income	\$ 428,259	\$ 363,628	\$ 297,137
Other comprehensive income:			
Change in unrealized gain/(loss) on marketable securities	(26,467)	26,689	28,594
Change in unrealized (loss) on warrants	—	—	(8,252)
Change in unrealized gain/(loss) on foreign currency hedge agreements	143	2,536	(15,102)
Change in foreign currency translation adjustment	2,503	2,040	15,675
Other comprehensive income	(23,821)	31,265	20,915
Comprehensive income	\$ 404,438	\$ 394,893	\$ 318,052

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Stockholders' Equity

For the Years Ended December 31, 2006, 2005 and 2004

(in thousands, except per share information)

	Preferred Stock		Common Stock		Paid-in Capital	Retained Earnings / (Cumulative Distributions in Excess of Net Income)	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Issued	Amount	Issued	Amount				
Balance, January 1, 2004	700	\$ 700	221,248	\$ 2,212	\$ 2,146,180	\$ (30,112)	\$ 16,866	\$ 2,135,846
Net income						297,137		297,137
Dividends (\$1.16 per common share; \$1.6625 Class F Depositary Share, respectively)						(270,774)		(270,774)
Issuance of common stock			226	2	5,419			5,421
Exercise of common stock options			3,380	34	46,023			46,057
Amortization of stock option expense					1,798			1,798
Other comprehensive income							20,915	20,915
Balance, December 31, 2004	700	700	224,854	2,248	2,199,420	(3,749)	37,781	2,236,400
Net income						363,628		363,628
Dividends (\$1.27 per common share; \$1.6625 Class F Depositary Share, respectively)						(300,024)		(300,024)
Issuance of common stock			242	3	6,837			6,840
Exercise of common stock options			2,963	30	44,467			44,497
Amortization of stock option expense					4,608			4,608
Other comprehensive income							31,265	31,265
Balance, December 31, 2005	700	700	228,059	2,281	2,255,332	59,855	69,046	2,387,214
Net income						428,259		428,259
Dividends (\$1.38 per common share; \$1.6625 Class F Depositary Share, respectively)						(347,605)		(347,605)
Issuance of common stock			20,614	206	870,465			870,671
Exercise of common stock options			2,197	22	42,007			42,029
Amortization of stock option expense					10,212			10,212
Other comprehensive income							(23,821)	(23,821)
<b>Balance, December 31, 2006</b>	<b>700</b>	<b>\$ 700</b>	<b>250,870</b>	<b>\$ 2,509</b>	<b>\$ 3,178,016</b>	<b>\$ 140,509</b>	<b>\$ 45,225</b>	<b>\$ 3,366,959</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Cash Flows

(in thousands, except share information)

	Year Ended December 31,		
	2006	2005	2004
Cash flow from operating activities:			
Net income	\$ 428,259	\$ 363,628	\$ 297,137
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	144,767	108,042	102,872
Loss on operating properties held for sale/sold/transferred	1,421	5,248	8,029
Gain on sale of development properties	(37,276)	(33,636)	(16,835)
Gain on sale/transfer of operating properties	(77,300)	(31,901)	(15,823)
Minority interests in income of partnerships, net	27,751	12,446	9,660
Equity in income of real estate joint ventures, net	(106,930)	(77,454)	(56,385)
Income from other real estate investments	(54,494)	(40,562)	(23,571)
Distributions from joint ventures	152,099	116,765	94,994
Cash retained from excess tax benefits	(2,926)	—	—
Change in accounts and notes receivable	(17,778)	(12,156)	(1,742)
Change in accounts payable and accrued expenses	38,619	10,606	2,850
Change in other operating assets and liabilities	(40,643)	(10,229)	(36,010)
Net cash flow provided by operating activities	455,569	410,797	365,176
Cash flow from investing activities:			
Acquisition of and improvements to operating real estate	(547,001)	(431,514)	(351,369)
Acquisition of and improvements to real estate under development	(619,083)	(452,722)	(204,631)
Investment in marketable securities	(86,463)	(93,299)	(70,864)
Proceeds from sale of marketable securities	83,832	46,692	22,278
Proceeds from transferred operating/development properties	1,186,851	128,537	342,496
Investments and advances to real estate joint ventures	(472,666)	(267,287)	(203,569)
Reimbursements of advances to real estate joint ventures	183,368	130,590	80,689
Other real estate investments	(254,245)	(123,005)	(113,663)
Reimbursements of advances to other real estate investments	74,677	26,969	34,045
Investment in mortgage loans receivable	(154,894)	(82,305)	(136,637)
Collection of mortgage loans receivable	125,003	90,709	103,819
Other investments	(123,609)	(3,152)	(1,551)
Reimbursements of other investments	16,113	—	—
Settlement of net investment hedges	(953)	(34,580)	—
Proceeds from sale of operating properties	110,404	89,072	43,077
Proceeds from sale of development properties	232,445	259,280	156,283
Net cash flow used for investing activities	(246,221)	(716,015)	(299,597)
Cash flow from financing activities:			
Principal payments on debt, excluding normal amortization of rental property debt	(61,758)	(66,794)	(54,322)
Principal payments on rental property debt	(11,062)	(8,296)	(7,848)
Principal payments on construction loan financings	(79,399)	(98,002)	(66,950)
Proceeds from mortgage/construction loan financings	174,087	265,418	348,386
Borrowings under revolving credit facilities	317,661	210,188	336,675
Repayment of borrowings under revolving credit facilities	(653,219)	(156,486)	(100,000)
Proceeds from issuance of unsecured notes	478,947	672,429	200,000
Repayment of unsecured notes/term loan	(185,000)	(200,250)	(514,000)
Financing origination costs	(11,442)	(9,538)	—
Redemption of minority interests in real estate partnerships	(31,554)	(21,024)	(3,781)
Dividends paid	(332,552)	(293,345)	(265,254)
Cash retained from excess tax benefits	2,926	—	—
Proceeds from issuance of stock	451,809	48,971	51,447
Net cash flow provided by (used for) financing activities	59,444	343,271	(75,647)
Change in cash and cash equivalents	268,792	38,053	(10,068)
Cash and cash equivalents, beginning of year	76,273	38,220	48,288
Cash and cash equivalents, end of year	\$ 345,065	\$ 76,273	\$ 38,220
Interest paid during the year (net of capitalized interest of \$22,741, \$12,587, and \$8,732, respectively)	\$ 153,664	\$ 121,087	\$ 108,117
Income taxes paid during the year	\$ 9,350	\$ 13,763	\$ 10,694

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

(in thousands, except share information)

Amounts relating to the number of buildings, square footage, tenant and occupancy data and estimated project costs are unaudited.

## 1. Summary of Significant Accounting Policies:

### *Business*

Kimco Realty Corporation (the “Company” or “Kimco”), its subsidiaries, affiliates and related real estate joint ventures are engaged principally in the operation of neighborhood and community shopping centers which are anchored generally by discount department stores, supermarkets or drugstores. The Company also provides property management services for shopping centers owned by affiliated entities, various real estate joint ventures and unaffiliated third parties.

Additionally, in connection with the Tax Relief Extension Act of 1999 (the “RMA”), which became effective January 1, 2001, the Company is permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust (“REIT”), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Internal Revenue Code, as amended (the “Code”), subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate related opportunities including (i) merchant building, through its Kimco Developers, Inc. (“KDI”) subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services which primarily focuses on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions.

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31, 2006, the Company’s single largest neighborhood and community shopping center accounted for only 1.6% of the Company’s annualized base rental revenues and only 0.8% of the Company’s total shopping center gross leasable area (“GLA”). At December 31, 2006, the Company’s five largest tenants were The Home Depot, TJX Companies, Sears Holdings, Kohl’s and Wal-Mart, which represented approximately 3.5%, 2.9%, 2.5%, 2.2% and 2.1%, respectively, of the Company’s annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

The principal business of the Company and its consolidated subsidiaries is the ownership, development, management and operation of retail shopping centers, including complementary services that capitalize on the Company’s established retail real estate expertise. The Company does not distinguish its principal

business or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single reportable segment for disclosure purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

### *Principles of Consolidation and Estimates*

The accompanying Consolidated Financial Statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and all entities in which the Company has a controlling interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Interpretation No. 46(R), Consolidation of Variable Interest Entities (“FIN 46(R)”) or meets certain criteria of a sole general partner or managing member as identified in accordance with Emerging Issues Task Force (“EITF”) Issue 04-5, Investor’s Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights (“EITF 04-5”). All intercompany balances and transactions have been eliminated in consolidation.

GAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition, the collectability of trade accounts receivable and the realizability of deferred tax assets. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

### *Minority Interests*

Minority interests represent the portion of equity that the Company does not own in those entities it consolidates as a result of having a controlling interest or determined that the Company was the primary beneficiary of a variable interest entity in accordance with the provisions and guidance of FIN 46(R).

Minority interests also include partnership units issued from consolidated subsidiaries of the Company in connection with certain property acquisitions. These units have a stated redemption value or a redemption amount based upon the Adjusted Current Trading Price, as defined, of the Company’s common stock (“Common Stock”) and provide the unit holders various rates of return during the holding period. The unit holders generally have the right to redeem their units for cash at any time after one year from issuance. The Company typically has the option to settle redemption amounts in cash or Common Stock for the issuance of convertible units. The Company evaluates the terms of the partnership units issued in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, and EITF D-98, Classification and Measurement of Redeemable Securities, to determine if the

# Notes to Consolidated Financial Statements *(continued)*

units are mandatorily redeemable, and as such accounts for them accordingly.

## *Real Estate*

Real estate assets are stated at cost, less accumulated depreciation and amortization. If there is an event or a change in circumstances that indicates that the basis of a property (including any related amortizable intangible assets or liabilities) may not be recoverable, then management will assess any impairment in value by making a comparison of (i) the current and projected operating cash flows (undiscounted and without interest charges) of the property over its remaining useful life and (ii) the net carrying amount of the property. If the current and projected operating cash flows (undiscounted and without interest charges) are less than the carrying value of the property, the carrying value would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates the sales price, net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of the asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

Upon acquisition of real estate operating properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships), assumed debt and redeemable units issued in accordance with SFAS No. 141, Business Combinations ("SFAS No. 141"), at the date of acquisition, based on evaluation of information and estimates available at that date. Based on these estimates, the Company allocates the initial purchase price to the applicable assets and liabilities. As final information regarding fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments are made to the purchase price allocation. The allocations are finalized within twelve months of the acquisition date.

The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The fair value of the tangible assets of an acquired property considers the value of the property "as-if-vacant". The fair value reflects the depreciated replacement cost of the permanent assets, with no trade fixtures included.

In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the value of above-market and below-market leases is estimated based on the present value of the difference between the contractual amounts to be paid pursuant to the leases and management's estimate of the market lease rates and other lease provisions (i.e., expense recapture, base rental changes, etc.) measured over a period equal to the estimated remaining term of the lease. The capitalized above-market or below-market intangible is amortized to rental income over the estimated remaining term of the respective leases. Mortgage debt

premiums are amortized into interest expense over the remaining term of the related debt instrument. Unit discounts and premiums are amortized into Minority interest in income, net over the period from the date of issuance to the earliest redemption date of the units.

In determining the value of in-place leases, management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes real estate taxes, insurance, other operating expenses and estimates of lost rental revenue during the expected lease-up periods and costs to execute similar leases including leasing commissions, legal and other related costs based on current market demand. In estimating the value of tenant relationships, management considers the nature and extent of the existing tenant relationship, the expectation of lease renewals, growth prospects, and tenant credit quality, among other factors. The value assigned to in-place leases and tenant relationships is amortized over the estimated remaining term of the leases. If a lease were to be terminated prior to its scheduled expiration, all unamortized costs relating to that lease would be written off.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 50 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

## *Real Estate Under Development*

Real estate under development represents both the ground-up development of neighborhood and community shopping center projects which are subsequently sold upon completion and projects which the Company may hold as long-term investments. These properties are carried at cost. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development. The Company ceases cost capitalization when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If, in management's opinion, the net sales price of assets held for resale or the current and projected undiscounted cash

flows of these assets to be held as long-term investments is less than the net carrying value, the carrying value would be adjusted to an amount to reflect the estimated fair value of the property.

#### *Investments in Unconsolidated Joint Ventures*

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control, these entities. These investments are recorded initially at cost and subsequently adjusted for cash contributions and distributions. Earnings for each investment are recognized in accordance with each respective investment agreement and where applicable, based upon an allocation of the investment's net assets at book value as if the investment was hypothetically liquidated at the end of each reporting period.

The Company's joint ventures and other real estate investments primarily consist of co-investments with institutional and other joint venture partners in neighborhood and community shopping center properties, consistent with its core business. These joint ventures typically obtain non-recourse third-party financing on their property investments, thus contractually limiting the Company's exposure to losses to the amount of its equity investment; and due to the lender's exposure to losses, a lender typically will require a minimum level of equity in order to mitigate its risk. The Company's exposure to losses associated with its unconsolidated joint ventures is primarily limited to its carrying value in these investments.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment's value is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment and such difference is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the estimated fair value of the investment.

#### *Other Real Estate Investments*

Other real estate investments primarily consist of preferred equity investments for which the Company provides capital to developers and owners of real estate. The Company typically accounts for its preferred equity investments on the equity method of accounting, whereby earnings for each investment are recognized in accordance with each respective investment agreement and based upon an allocation of the investment's net assets at book value as if the investment was hypothetically liquidated at the end of each reporting period.

#### *Mortgages and Other Financing Receivables*

Mortgages and other financing receivables consist of loans acquired and loans originated by the Company. Loan receivables are recorded at stated principal amounts net of any discount or premium or deferred loan origination costs or fees. The related discounts or premiums on mortgages and other loans purchased are amortized or accreted over the life of the related loan receiv-

able. The Company defers certain loan origination and commitment fees, net of certain origination costs, and amortizes them as an adjustment of the loan's yield over the term of the related loan. The Company evaluates the collectibility of both interest and principal on each loan to determine whether it is impaired. A loan is considered to be impaired, when based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the value of the underlying collateral if the loan is collateralized. Interest income on performing loans is accrued as earned. Interest income on impaired loans is recognized on a cash basis.

#### *Cash and Cash Equivalents*

Cash and cash equivalents (demand deposits in banks, commercial paper and certificates of deposit with original maturities of three months or less) includes tenants' security deposits, escrowed funds and other restricted deposits approximating \$0.6 million and \$6.7 million at December 31, 2006 and 2005, respectively.

Cash and cash equivalent balances may, at a limited number of banks and financial institutions, exceed insurable amounts. The Company believes it mitigates its risks by investing in or through major financial institutions. Recoverability of investments is dependent upon the performance of the issuers.

#### *Marketable Securities*

The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. These securities are carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of Accumulated other comprehensive income ("OCI"). Gains or losses on securities sold are based on the specific identification method.

All debt securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity.

#### *Deferred Leasing and Financing Costs*

Costs incurred in obtaining tenant leases and long-term financing, included in deferred charges and prepaid expenses in the accompanying Consolidated Balance Sheets, are amortized over the terms of the related leases or debt agreements, as applicable. Such capitalized costs include salaries and related costs of personnel directly involved in successful leasing efforts.

#### *Revenue Recognition and Accounts Receivable*

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of

# Notes to Consolidated Financial Statements *(continued)*

these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recognized once the required sales level is achieved. Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Company of common area maintenance costs, real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned.

Management and other fee income consist of property management fees, leasing fees, property acquisition and disposition fees, development fees and asset management fees. These fees arise from contractual agreements with third parties or with entities in which the Company has a partial non-controlling interest. Management and other fee income, including acquisition and disposition fees, are recognized as earned under the respective agreements. Management and other fee income related to partially owned entities is recognized to the extent attributable to the unaffiliated interest.

Gains and losses from the sale of depreciated operating property and ground-up development projects are generally recognized using the full accrual method in accordance with SFAS No. 66, Accounting for Sales of Real Estate ("SFAS No. 66"), provided that various criteria relating to the terms of sale and subsequent involvement by the Company with the properties are met.

Gains and losses on transfers of operating properties result from the sale of a partial interest in properties to unconsolidated joint ventures and are recognized using the partial sale provisions of SFAS No. 66.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

## *Income Taxes*

The Company has made an election to qualify, and believes it is operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under Section 856 through 860 of the Code.

In connection with the RMA, which became effective January 1, 2001, the Company is permitted to participate in certain activities which it was previously precluded from in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code. As such, the Company is subject to federal and state income taxes on the income from these activities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

## *Foreign Currency Translation and Transactions*

Assets and liabilities of the Company's foreign operations are translated using year-end exchange rates, and revenues and expenses are translated using exchange rates as determined throughout the year. Gains or losses resulting from translation are included in OCI, as a separate component of the Company's stockholders' equity. Gains or losses resulting from foreign currency transactions are translated to local currency at the rates of exchange prevailing at the dates of the transactions. The effect of the transaction's gain or loss is included in the caption Other income, net in the Consolidated Statements of Income.

## *Derivative/Financial Instruments*

The Company measures its derivative instruments at fair value and records them in the Consolidated Balance Sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. In addition, the fair value adjustments will be recorded in either stockholders' equity or earnings in the current period based on the designation of the derivative. The effective portions of changes in fair value of cash flow hedges are reported in OCI and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in the fair value of foreign currency hedges that are designated and effective as net investment hedges are included in the cumulative translation component of OCI to the extent they are economically effective and are subsequently reclassified to earnings when the hedged investments are sold or otherwise disposed of. The changes in fair value of derivative instruments which are not designated as hedging instruments and the ineffective portions of hedges are recorded in earnings for the current period.

The Company utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates, foreign currency exchange rates and market fluctuations on equity securities. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company has not entered, and does not plan to enter, into financial instruments for trading or speculative purposes. Additionally, the Company has a policy of only entering into derivative contracts with major financial institutions. The principal financial instruments used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross-currency swaps and warrant contracts. These derivative instruments were designated and qualified as cash flow, fair value or foreign currency hedges (see Note 16).

### Earnings Per Share

On July 21, 2005, the Company's Board of Directors declared a two-for-one split (the "Stock Split") of the Company's common stock which was effected in the form of a stock dividend paid on August 23, 2005, to stockholders of record on August 8, 2005. All share and per share data included in the accompanying Consolidated Financial Statements and Notes thereto have been adjusted to reflect this Stock Split.

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands, except per share data):

	2006	2005	2004
<i>Computation of Basic Earnings Per Share:</i>			
Income from continuing operations	\$342,671	\$ 323,114	\$ 274,110
Gain on transfer/sale of operating properties, net	2,460	2,833	—
Preferred stock dividends	(11,638)	(11,638)	(11,638)
Income from continuing operations applicable to common shares	333,493	314,309	262,472
Income from discontinued operations	83,128	37,681	23,027
Net income applicable to common shares	\$416,621	\$ 351,990	\$ 285,499
Weighted average common shares outstanding	239,552	226,641	222,859
<i>Basic Earnings Per Share:</i>			
Income from continuing operations	\$ 1.39	\$ 1.39	\$ 1.18
Income from discontinued operations	0.35	0.16	0.10
Net income	\$ 1.74	\$ 1.55	\$ 1.28
<i>Computation of Diluted Earnings Per Share:</i>			
Income from continuing operations applicable to common shares (a)	\$333,493	\$ 314,309	\$ 262,472
Income from discontinued operations	83,128	37,681	23,027
Net income for diluted earnings per share	\$416,621	\$ 351,990	\$ 285,499
Weighted average common shares outstanding — Basic	239,552	226,641	222,859
Effect of dilutive securities (a):			
Stock options/deferred stock awards	5,063	4,227	4,284
Shares for diluted earnings per share	244,615	230,868	227,143
<i>Diluted Earnings Per Share:</i>			
Income from continuing operations	\$ 1.36	\$ 1.36	\$ 1.16
Income from discontinued operations	0.34	0.16	0.10
Net income	\$ 1.70	\$ 1.52	\$ 1.26

(a) The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversions has not been included in the determination of diluted earnings per share calculations.

In addition, there were approximately 71,250, 2,195,400 and 1,648,750 stock options that were anti-dilutive as of December 31, 2006, 2005 and 2004, respectively.

### Stock Compensation

The Company maintains an equity participation plan (the "Plan") pursuant to which a maximum of 42,000,000 shares of Common Stock may be issued for qualified and non-qualified options and restricted stock grants. Options granted under the Plan generally vest ratably over a three or five year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board of Directors at its sole discretion. Restricted stock grants generally vest 100% on the fifth anniversary of the grant. In addition, the Plan provides for the granting of certain options to each of the Company's non-employee directors (the "Independent Directors") and permits such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

Prior to January 1, 2003, the Company accounted for the Plan under the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB Opinion No. 25). Effective January 1, 2003, the Company adopted the prospective method provisions of SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure an Amendment of FASB Statement No. 123 ("SFAS No. 148"), which applies the recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123") to all employee awards granted, modified or settled after January 1, 2003.

During December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which is a revision of Statement 123. SFAS No. 123(R) supersedes Opinion 25. Generally, the approach in SFAS No. 123(R) is similar to the approach described in Statement 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro-forma disclosure is no longer an alternative under SFAS No. 123(R). SFAS No. 123(R) was effective for fiscal years beginning after December 31, 2005. The Company began expensing stock based employee compensation with its adoption of the prospective method provisions of SFAS No. 148, effective January 1, 2003, as a result, the adoption of SFAS No. 123(R) did not have a material impact on the Company's financial position or results of operations.

# Notes to Consolidated Financial Statements *(continued)*

The non-cash expense related to stock-based employee compensation included in the determination of net income is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS No. 123. There was no difference in amounts for the year ended December 31, 2006. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding stock awards in each period (amounts presented in thousands, except per share data):

	2005	2004
Net income, as reported	<b>\$ 363,628</b>	\$ 297,137
Add: Stock based employee compensation expense included in reported net income	<b>4,608</b>	1,650
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards	<b>(5,206)</b>	(3,316)
Pro Forma Net Income — Basic	<b>\$ 363,030</b>	\$ 295,471
Earnings Per Share		
Basic — as reported	<b>\$ 1.55</b>	\$ 1.28
Basic — pro forma	<b>\$ 1.55</b>	\$ 1.27
Net income for diluted earnings per share	<b>\$ 351,990</b>	\$ 285,499
Add: Stock based employee compensation expense included in reported net income	<b>4,608</b>	1,650
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards	<b>(5,206)</b>	(3,316)
Pro Forma Net Income — Diluted	<b>\$ 351,392</b>	\$ 283,833
Earnings Per Share		
Diluted — as reported	<b>\$ 1.52</b>	\$ 1.26
Diluted — pro forma	<b>\$ 1.52</b>	\$ 1.25

The pro forma adjustments to net income and net income per diluted common share assume fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing formula. The more significant assumptions underlying the determination of such fair values for options granted during the year ended December 2005 and 2004 were as follows:

	2005	2004
Weighted average fair value of options granted	<b>\$ 3.21</b>	\$ 2.14
Weighted average risk-free interest rates	<b>4.03%</b>	3.30%
Weighted average expected option lives	<b>4.80</b>	3.72
Weighted average expected volatility	<b>18.01%</b>	16.69%
Weighted average expected dividend yield	<b>5.30%</b>	5.59%

## *New Accounting Pronouncements*

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation

of FASB Statement No. 109, Accounting for Income Taxes (“FIN 48”), regarding accounting for and disclosure of uncertain tax positions. This guidance seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the provisions of FIN 48, but does not expect its adoption to have a material impact on the Company’s financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement (“SFAS No. 157”), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The impact of adopting SFAS No. 157 is not expected to have a material impact on the Company’s financial position or results of operations.

Additionally in September 2006, the United States Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (“SAB 108”), which provides interpretive guidance on how registrants should quantify financial statement misstatements. SAB 108 requires registrants to quantify misstatements using both balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relative quantitative and qualitative factors. For transition purposes, the registrants will be permitted to restate prior period financial statements or recognize the cumulative effect of initially applying SAB 108 through an adjustment to beginning retained earnings in the year of adoption. SAB 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The impact of adopting SAB 108 did not have a material impact on the Company’s financial position or results of operations.

In December 2006, the FASB issued FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements. EITF 00-19-2 addresses and issuer’s accounting for registration payment arrangements and specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. The guidance in EITF 00-19-2 amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, and FASB Interpretation No. 45, Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (“FIN 45”), to include scope exceptions for registration payment arrangements. EITF 00-19-2 further clarifies that a financial

instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles (GAAP) without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. EITF 00-19-2 shall be effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of this EITF, or for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years. The Company does not expect the adoption of EITF 00-19-2 to have a material impact on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on the Company's financial position or results of operations.

## 2. Real Estate:

The Company's components of Rental property consist of the following (in thousands):

December 31,	2006	2005
Land	\$ 978,819	\$ 686,123
Buildings and improvements		
Buildings	2,980,369	2,696,194
Building improvements	301,584	180,005
Tenant improvements	528,479	334,765
Fixtures and leasehold improvements	22,216	17,088
Other rental property (1)	151,870	35,110
	4,963,337	3,949,285
Accumulated depreciation and amortization	(806,670)	(740,127)
Total	\$ 4,156,667	\$ 3,209,158

(1) At December 31, 2006 and 2005, Other rental property consisted of intangible assets including \$88,328 and \$23,539, respectively, of in-place leases, \$15,705 and \$7,366, respectively, of tenant relationships, and \$47,837 and \$4,205, respectively, of above-market leases.

In addition, at December 31, 2006 and 2005, the Company had intangible liabilities relating to below-market leases from property acquisitions of approximately \$120.6 million and \$50.1 million, respectively. These amounts are included in the caption Other liabilities in the Company's Consolidated Balance Sheets.

## 3. Property Acquisitions, Developments and Other Investments:

### Operating Properties

#### Acquisition of Existing Shopping Centers —

During the years 2006, 2005 and 2004, the Company acquired operating properties, in separate transactions, at aggregate costs of approximately \$1.1 billion, \$278.0 million and \$440.5 million, respectively.

Included in the 2006 acquisitions is the acquisition of interests in seven shopping center properties, located in Caguas, Carolina, Mayaguez, Trujillo Alto, Ponce, Manati, and Bayamon, Puerto Rico, valued at an aggregate \$451.9 million. The properties were acquired through the issuance of units from a consolidated subsidiary and consist of approximately \$158.6 million of floating and fixed-rate redeemable units, approximately \$45.8 million of redeemable units, which are redeemable at the option of the holder, the assumption of approximately \$131.2 million of non-recourse mortgage debt encumbering six of the properties and approximately \$116.3 million in cash. The Company has the option to settle the redemption of the \$45.8 million redeemable units with Common Stock or cash.

The aggregate purchase price of these Puerto Rico properties has been allocated to the tangible and intangible assets and liabilities of the properties in accordance with SFAS No. 141. The total purchase price includes intangible liabilities of approximately \$0.6 million for the value attributed to assumed mortgage debt premiums, net, below market rents of approximately \$37.4 million and fair value unit adjustments of approximately \$28.6 million, including unit premiums of approximately \$13.5 million.

#### Ground-Up Development —

The Company is engaged in ground-up development projects which consists of (i) merchant building through the Company's wholly-owned taxable REIT subsidiary, KDI, which develops neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) U.S. ground-up development projects which will be held as long-term investments by the Company and (iii) various ground-up development projects located in Mexico and Canada for long-term investment. The ground-up development projects generally have substantial pre-leasing prior to the commencement of construction. As of December 31, 2006, the Company had in progress a total of 45 ground-up development projects including 23 merchant building projects, six domestic ground-up development projects, and 16 ground-up development projects located throughout Mexico. These projects are currently proceeding on schedule and substantially in line with the Company's budgeted costs of approximately \$1.8 billion.

During the years 2006, 2005 and 2004, KDI expended approximately \$287.0 million, \$363.1 million and \$205.2 million, respectively, in connection with the purchase of land and construction costs related to its ground-up development projects.

# Notes to Consolidated Financial Statements *(continued)*

These merchant building acquisition and development costs have been funded principally through proceeds from sales of completed projects and construction financings.

During 2006, the Company acquired land in Chambersburg, PA and Anchorage, AK, in separate transactions, for an aggregate purchase price of approximately \$12.2 million. The properties will be developed into retail centers with approximately 0.7 million square feet of GLA with total estimated project costs of approximately \$62.7 million.

During June 2006, the Company acquired, through a newly formed joint venture in which the Company has a non-controlling interest, a 0.1 million square foot development project in Puerto Vallarta, Mexico, for a purchase price of 65.4 million Mexican Pesos ("MXP") (approximately USD \$5.7 million). Total estimated project costs are approximately USD \$7.3 million.

During 2006, the Company acquired, in separate transactions, nine parcels of land located in various cities throughout Mexico, for an aggregate purchase price of approximately MXP 1.3 billion (approximately USD \$119.3 million). The properties were at various stages of construction at acquisition and will be developed into retail centers aggregating approximately 3.4 million square feet. Total estimated remaining project costs are approximately USD \$324.2 million.

During 2005, the Company acquired, in separate transactions, various parcels of land located in Mesa, AZ and Nampa, ID for an aggregate purchase price of approximately \$28.7 million. These properties will be developed into retail centers with an aggregate of approximately 2.2 million square feet of GLA with a total estimated aggregate project cost of approximately \$190.7 million.

During May and June 2005, the Company acquired, in separate transactions, two parcels of land located in Saltillo and Pachuca, Mexico, for an aggregate purchase price of approximately \$14.6 million. The properties will be developed into retail centers with an aggregate total project cost of approximately \$34.1 million.

During June 2005, the Company acquired land in Tustin, CA, through a newly formed joint venture in which the Company has a 50% non-controlling interest, for a purchase price of approximately \$23.0 million. The property will be developed into a 1.0 million square foot retail center with a total estimated project cost of approximately \$176.8 million. The purchase of the land was funded through a new construction loan which bears interest at LIBOR plus 1.70% and is scheduled to mature in October 2007. As of December 31, 2006, this construction loan had an outstanding balance of approximately \$103.0 million. During October 2006, the Company sold two parcels, in separate transactions, for an aggregate price of \$21.7 million. No gain or loss was recognized on these transactions.

Additionally, during 2005, the Company acquired, in separate transactions, six parcels of land located in various cities throughout Mexico, through newly formed joint ventures in which the Company has non-controlling interests, for an aggregate purchase

price of approximately \$42.1 million. The properties were at various stages of construction at acquisition and will be developed into retail centers with a projected total aggregate cost of approximately \$133.1 million.

## *Kimsouth —*

During November 2002, the Company through its taxable REIT subsidiary, together with Prometheus Southeast Retail Trust, completed the merger and privatization of Konover Property Trust, which has been renamed Kimsouth Realty, Inc. ("Kimsouth"). In connection with the merger, the Company acquired 44.5% of the common stock of Kimsouth, which consisted primarily of 38 retail shopping center properties comprising approximately 4.6 million square feet of GLA. Total acquisition value was approximately \$280.9 million including approximately \$216.2 million in mortgage debt. The Company's investment strategy with respect to Kimsouth included re-tenanting, repositioning and disposition of the properties. As of January 1, 2006, Kimsouth consisted of five properties.

During May 2006, the Company acquired an additional 48% interest in Kimsouth for approximately \$22.9 million, which increased the Company's total ownership to 92.5%. As a result of this transaction, the Company became the controlling shareholder and has therefore, commenced consolidation of Kimsouth upon the closing date. The acquisition of the additional 48% ownership interest has been accounted for as a step acquisition with the purchase price being allocated to the identified assets and liabilities of Kimsouth.

As of May 12, 2006, Kimsouth had approximately \$133.0 million of net operating loss carry-forwards ("NOLs"), which may be utilized to offset future taxable income of Kimsouth. The Company evaluated the need for a valuation allowance based on projected taxable income and determined that a valuation allowance of approximately \$34.2 million was required. As such, a purchase price adjustment of \$17.5 million was recorded (see Note 22 for additional information).

During June 2006, Kimsouth contributed approximately \$51.0 million, of which \$47.2 million or 92.5% was provided by the Company, to fund its 15% non-controlling interest in a newly formed joint venture with an investment group to acquire a portion of Albertson's Inc. To maximize investment returns, the investment group's strategy with respect to this joint venture, includes refinancing, selling selected stores and the enhancement of operations at the remaining stores. This investment is included in Other assets in the Consolidated Balance Sheets. During February 2007, this joint venture completed the disposition of certain operating stores and a refinancing of the remaining assets in the joint venture. As a result of these transactions Kimsouth received a cash distribution of approximately \$121.3 million.

During July 2006, Kimsouth contributed approximately \$3.7 million to fund its 15% non-controlling interest in a newly formed joint venture with an investment group to acquire 50 grocery anchored operating properties. During September 2006, Kimsouth contributed an additional \$2.2 million to this joint

venture to acquire an operating property in Sacramento, CA, comprising approximately 0.1 million square feet of GLA, for a purchase price of approximately \$14.5 million. This joint venture investment is included in Investment and advances in real estate joint ventures in the Consolidated Balance Sheets.

During 2006, Kimsouth sold two properties for an aggregate sales price of approximately \$9.8 million and transferred two properties to a joint venture in which the Company has an 18% non-controlling interest for an aggregate price of approximately \$54.0 million, which included the repayment of approximately \$23.1 million in mortgage debt.

During 2005, Kimsouth disposed of seven shopping center properties, in separate transactions, for an aggregate sales price of approximately \$78.9 million, including the assignment of approximately \$23.7 million of mortgage debt encumbering two of the properties. During 2005, the Company recognized pre-tax profits from the Kimsouth investment of approximately \$4.9 million, which is included in the caption Income from other real estate investments on the Company's Consolidated Statements of Income.

Selected financial information for Kimsouth prior to consolidation is as follows (in millions):

	December 31, 2005		
Assets:			
Real estate held for sale		\$ 56.7	
Other assets		6.5	
		<u>\$ 63.2</u>	
Liabilities and Stockholders' Equity:			
Mortgages payable		\$ 29.4	
Other liabilities		0.7	
Stockholders' equity		<u>33.1</u>	
		<u>\$ 63.2</u>	
	<b>January 1 to</b>	Year Ended December 31,	
	<b>May 12, 2006</b>	<b>2005</b>	<b>2004</b>
Revenues from rental property	<b>\$ 1.8</b>	\$ 9.0	\$ 21.8
Operating expenses	<b>(0.8)</b>	(6.9)	(7.5)
Interest	<b>(0.8)</b>	(3.1)	(7.9)
Depreciation and amortization	<b>—</b>	(0.3)	(4.5)
Other, net	<b>(7.7)</b>	(0.5)	(0.4)
	<b>(7.5)</b>	(1.8)	1.5
Gain on disposition of properties	<b>1.9</b>	12.6	8.7
Adjustment of property carrying values	<b>—</b>	(2.4)	(14.3)
Net income/(loss)	<b>\$ (5.6)</b>	\$ 8.4	\$ (4.1)

#### *FNC Realty Corporation —*

On July 27, 2005, Frank's Nursery and Crafts, Inc. ("Frank's") emerged from bankruptcy protection pursuant to a bankruptcy court approved plan of reorganization as FNC Realty Corporation ("FNC"). Pursuant to the plan of reorganization, the Company received common shares of FNC representing an approximate

27% ownership interest in exchange for its interest in Frank's. In addition, the Company acquired an additional 24.5% interest in the common shares of FNC for cash of approximately \$17.0 million, thereby increasing the Company's ownership interest to approximately 51%. The Company also acquired approximately \$42.0 million of fixed rate 7% convertible senior notes issued by FNC. As a result of the increase in ownership interest from 27% to 51%, the Company became the controlling shareholder and therefore, commenced consolidation of FNC effective July 27, 2005.

As of July 27, 2005, FNC had approximately \$154.0 million of NOLs, which may be utilized to offset future taxable income of FNC. As Frank's had recurring losses and was in bankruptcy, the realization of the NOLs was uncertain. Accordingly a full valuation allowance was previously recorded against the deferred tax asset relating to these NOLs. Of the total amount of available NOLs, the Company has estimated approximately \$124.0 million is unrestricted and \$30.0 million is restricted (limited to utilization of \$1.1 million per year).

The Company has evaluated the level of valuation allowance required and determined, based upon the expected investment strategy for FNC, that approximately \$27.0 million of the allowance should be reduced and recorded as an adjustment to the purchase price. (See Note 22 for additional information.)

As of July 27, 2005, FNC held interests in 55 properties with approximately \$16.1 million of non-recourse mortgage debt encumbering 16 of the properties. These loans bore interest at fixed rates ranging from 4.00% to 7.75% and maturity dates ranging from June 2012 through June 2022. During December 2005, FNC pre-paid, without penalty, an aggregate \$4.8 million of mortgage debt encumbering five of its properties. During 2006, FNC pre-paid, with a pre-payment penalty of approximately \$1.2 million, an aggregate \$7.0 million of mortgage debt encumbering six of its properties. The mortgage debt bore interest at a 7.75% fixed rate per annum and was scheduled to mature in August of 2014. As of December 31, 2006, FNC had approximately \$2.1 million of non-recourse mortgage debt encumbering three properties. These remaining loans bear interest at fixed rates ranging from 7.00% to 7.31% and maturity dates ranging from June 2012 through June 2022.

The Company's investment strategy with respect to FNC includes re-tenanting, re-developing and disposition of the properties. From July 27, 2005, through December 31, 2005, FNC disposed of nine properties, in separate transactions, for an aggregate sales price of approximately \$9.4 million. During 2006, FNC disposed of an additional eight properties and one out-parcel, in separate transactions, for an aggregate sales price of approximately \$25.1 million. Additionally during 2006, FNC purchased one operating property adjacent to an existing property for \$3.5 million.

#### *JPG Self Storage —*

During 2005, the Company acquired ten self-storage facilities through an existing joint venture in which the Company held an

# Notes to Consolidated Financial Statements *(continued)*

approximate 93.5% economic interest, for a purchase price of approximately \$39.9 million including the assumption of approximately \$7.5 million of non-recourse fixed-rate mortgage debt encumbering three of the properties. Upon completing this purchase, this entity owned 17 self-storage facilities located in various states. The joint venture had cross-collateralized 14 of these properties with approximately \$44.0 million of non-recourse floating-rate mortgage debt which was scheduled to mature in November 2007 and had an interest rate of LIBOR plus 2.75%. Based upon the provisions of FIN 46(R), the Company had determined that this entity was a VIE. The Company had further determined that the Company was the primary beneficiary of this VIE and had therefore consolidated this entity for financial reporting purposes. During November and December 2005, this entity disposed of, in separate transactions, four self-storage properties for an aggregate sales price of approximately \$18.6 million resulting in an aggregate gain of approximately \$5.8 million. Proceeds from these sales were used to pay down approximately \$9.8 million of mortgage debt and provided distributions to the partners. As a result of these transactions, the Company's economic interest had significantly decreased and the entity became subject to the reconsideration provisions of FIN 46(R). Based upon this reconsideration event and the provision of FIN 46(R), the Company determined that this entity was no longer a VIE and therefore deconsolidated this entity and accounts for this investment under the equity method of accounting within the Company's Preferred Equity program.

These operating property acquisitions, development costs and other investments have been funded principally through the application of proceeds from the Company's public equity and unsecured debt issuances, proceeds from mortgage and construction financings, availability under the Company's revolving lines of credit and issuance of various partnership units.

## 4. Dispositions of Real Estate:

### *Operating Real Estate —*

During 2006, the Company disposed of (i) 28 operating properties and one ground lease for an aggregate sales price of approximately \$270.5 million, which resulted in an aggregate net gain of approximately \$71.7 million, net of income taxes of \$2.8 million relating to the sale of two properties, and (ii) transferred five operating properties, to joint ventures in which the Company has 20% non-controlling interests for an aggregate price of approximately \$95.4 million, which resulted in a gain of approximately \$1.4 million from one transferred property.

During November 2006, the Company disposed of a vacant land parcel located in Bel Air, MD, for approximately \$1.8 million resulting in a \$1.6 million gain on sale. This gain is included in Other income, net on the Company's Consolidated Statements of Income.

During 2005, the Company (i) disposed of, in separate transactions, 20 operating properties for an aggregate sales price

of approximately \$93.3 million, (ii) transferred three operating properties to KROP, as defined below, for an aggregate price of approximately \$49.0 million and (iii) transferred 52 operating properties to various joint ventures in which the Company has non-controlling interests ranging from 15% to 50% for an aggregate price of approximately \$183.1 million. For the year ended December 31, 2005, these transactions resulted in gains of approximately \$31.9 million and a loss on sale/transfer from four of the properties of approximately \$5.2 million.

During June 2005, the Company disposed of a vacant land parcel located in New Ridge, MD, for approximately \$5.6 million resulting in a \$4.6 million gain on sale. This gain is included in Other income, net on the Company's Consolidated Statements of Income.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately \$81.1 million, including the assignment of approximately \$8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately \$16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP, as defined below, for an aggregate price of approximately \$197.9 million and (iii) transferred 21 operating properties, comprising approximately 3.2 million square feet of GLA, to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30% for an aggregate price of approximately \$491.2 million.

### *Merchant Building —*

During 2006, KDI sold, in separate transactions, six of its recently completed projects, its partnership interest in one project and 30 out-parcels for approximately \$260.0 million. These sales resulted in pre-tax gains of approximately \$37.3 million.

During 2005, KDI sold, in separate transactions, six of its recently completed projects, and 41 out-parcels for approximately \$264.1 million. These sales resulted in pre-tax gains of approximately \$33.6 million.

During 2004, KDI sold, in separate transactions, five of its recently completed projects, three completed phases of projects and 29 out-parcels for approximately \$170.2 million. These sales resulted in pre-tax gains of approximately \$16.8 million.

## 5. Adjustment of Property Carrying Values:

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in December 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a book value of approximately \$3.8 million, net of accumulated depreciation of approximately \$2.6 million, may

not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period for this investment. As a result, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately \$3.0 million to reflect the property's estimated fair value. The Company's determination of estimated fair value was based upon third-party purchase offers less estimated closing costs. This property was subsequently sold during 2005 and this adjustment was included along with the related property operations in the line Income from discontinued operations in the Company's Consolidated Statements of Income.

## 6. Discontinued Operations and Assets Held for Sale:

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144") the Company reports as discontinued operations assets held-for-sale (as defined by SFAS No. 144) as of the end of the current period and assets sold subsequent to the adoption of SFAS No. 144. All results of these discontinued operations are included in a separate component of income on the Consolidated Statements of Income under the caption Discontinued operations. This has resulted in certain reclassifications of 2006, 2005 and 2004 financial statement amounts.

The components of Income from discontinued operations for each of the three years in the period ended December 31, 2006, are shown below. These include the results of operations through the date of each respective sale for properties sold during 2006, 2005 and 2004 and a full year of operations for those assets classified as held-for-sale as of December 31, 2006 (in thousands):

	2006	2005	2004
Discontinued Operations:			
Revenues from rental property	\$ 15,318	\$ 27,757	\$ 33,670
Rental property expenses	(2,774)	(7,925)	(9,369)
Income from property operations	12,544	19,832	24,301
Depreciation and amortization	(3,697)	(6,610)	(7,473)
Interest expense	(380)	(1,382)	(1,779)
Income from other real estate investments	3,705	1,192	—
Other income/(expense)	1,832	1,305	(2,300)
Income from discontinued operating properties	14,004	14,337	12,749
Provision for income taxes	(2,096)	—	—
Minority interest in income from discontinued operating properties	(1,497)	(476)	(481)
Loss on operating properties held for sale/sold	(1,421)	(5,098)	(5,064)
Gain on disposition of operating properties	74,138	28,918	15,823
Income from discontinued operations	\$ 83,128	\$ 37,681	\$ 23,027

During 2006, the Company reclassified as held-for-sale 13 operating properties comprising 0.8 million square feet of GLA. The aggregate book value of these properties was approximately \$36.5 million, net of accumulated depreciation of approximately \$5.9 million. The book value of one property exceeded its estimated fair value by approximately \$0.6 million, and as a result, the Company recorded a loss resulting from an adjustment of property carrying value of approximately \$0.6 million. The remaining properties had fair values exceeding their book values, and as a result, no adjustment of property carrying value was recorded. The Company's determination of the fair value for each of these properties, aggregating approximately \$50.0 million, is based primarily upon executed contracts of sale with third parties less estimated selling costs. The Company completed the sale of ten of these operating properties during 2006.

During 2005, the Company reclassified as held-for-sale four operating properties comprising approximately 0.6 million square feet of GLA. The book value of each of these properties, aggregating approximately \$42.2 million, net of accumulated depreciation of approximately \$9.4 million, did not exceed each of their estimated fair values. As a result, no adjustment of property carrying value was recorded. The Company's determination of the fair value for each of these properties, aggregating approximately \$61.4 million, was based upon executed contracts of sale with third parties less estimated selling costs. The Company completed the sale of these properties during 2005 and 2006.

During December 2004, the Company reclassified as held-for-sale an operating property located in Melbourne, FL, comprising approximately 0.1 million square feet of GLA. The Company completed the sale of this property during 2005.

During 2004, the Company reclassified as held-for-sale two operating properties comprising approximately 0.3 million square feet of GLA. The book value of these properties, aggregating approximately \$8.7 million, net of accumulated depreciation of approximately \$4.2 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$4.5 million, was based upon contracts of sale with third parties less estimated selling costs. As a result, the Company had recorded a loss resulting from an adjustment of property carrying values of \$4.2 million. During 2004, the Company completed the sale of these properties.

## 7. Investment and Advances in Real Estate Joint Ventures:

*Kimco Prudential Joint Venture ("KimPru") —*

On July 9, 2006, the Company entered into a definitive merger agreement with Pan Pacific Retail Properties Inc. ("Pan Pacific"). Under the terms of the agreement, the Company agreed to acquire all of the outstanding shares of Pan Pacific for total merger consideration of \$70.00 per share. As permitted under the merger agreement, the Company elected to issue \$10.00 per share of the total merger consideration in the form of Common Stock to

# Notes to Consolidated Financial Statements *(continued)*

be based upon the average closing price of the Common Stock over ten trading days immediately preceding the closing date.

On September 25, 2006, Pan Pacific stockholders approved the proposed merger and the closing occurred on October 31, 2006. In addition to the merger consideration of \$70.00 per share, Pan Pacific stockholders also received \$0.2365 per share as a pro-rata portion of Pan Pacific's regular \$0.64 per share dividend for each day between September 26, 2006 and the closing date.

The transaction had a total value of approximately \$4.1 billion, including Pan Pacific's outstanding debt totaling approximately \$1.1 billion. As of October 31, 2006, Pan Pacific owned interests in 138 operating properties, which comprised approximately 19.9 million square feet of GLA, located primarily in California, Oregon, Washington and Nevada.

Funding for this transaction was provided by approximately \$1.3 billion of new individual non-recourse mortgage loans encumbering 51 properties, a \$1.2 billion two-year credit facility, which bears interest at LIBOR plus 0.375% provided by a consortium of banks and guaranteed by the joint venture partners described below and the Company, the issuance of 9,185,847 shares of Common Stock valued at approximately \$407.7 million, the assumption of approximately \$630.0 million of unsecured bonds and approximately \$289.4 million of existing non-recourse mortgage debt encumbering 23 properties and approximately \$300.0 million in cash. With respect to the \$1.2 billion guarantee by the Company, PREI, as defined below, guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make.

Immediately following the merger, the Company commenced its joint venture agreements with Prudential Real Estate Investors ("PREI") through three separate accounts managed by PREI. In accordance with the joint venture agreements, all Pan Pacific assets and the respective non-recourse mortgage debt and the \$1.2 billion credit facility mentioned above were transferred to the separate accounts. PREI contributed approximately \$1.1 billion on behalf of institutional investors in three of its portfolios. The Company holds 15% non-controlling ownership interests in each of these joint ventures, collectively, KimPru, with a total aggregate investment of approximately \$194.8 million. In addition, the Company will manage the portfolios and earn acquisition fees, leasing commissions, property management fees and construction management fees.

The above mentioned mortgages bear interest at rates ranging from 4.92% to 8.30% and have maturities ranging from eight months to 119 months.

During November 2006, KimPru sold an operating property for a sales price of \$5.3 million. There was no gain or loss recognized in connection with this sale.

## *Kimco Income REIT ("KIR") —*

The Company has a non-controlling limited partnership interest in KIR and manages the portfolio. Effective July 1, 2006, the Company acquired an additional 1.7% limited partnership

interest in KIR, which increased the Company's total non-controlling interest to approximately 45.0%.

During 2006, KIR disposed of two operating properties and one land parcel, in separate transactions, for an aggregate sales price of approximately \$15.2 million. These sales resulted in an aggregate gain of approximately \$4.4 million of which the Company's share was approximately \$1.9 million.

During 2005, KIR disposed of two operating properties and one out-parcel, in separate transactions, for an aggregate sale price of approximately \$51.2 million. These sales resulted in an aggregate gain of approximately \$20.2 million of which the Company's shares was approximately \$8.7 million. In connection with the sale of one of the operating properties, KIR incurred a \$2.0 million loan defeasance charge, of which the Company's share was approximately \$0.9 million.

Additionally during 2005, KIR purchased one shopping center property located in Delran, NJ, for approximately \$4.6 million.

In April 2005, KIR entered into a three-year \$30.0 million unsecured revolving credit facility which bears interest at LIBOR plus 1.40%. As of December 31, 2006, there was an outstanding balance of \$14.0 million under this credit facility.

As of December 31, 2006, the KIR portfolio was comprised of 66 shopping center properties aggregating approximately 14.0 million square feet of GLA located in 19 states.

## *RioCan Investments —*

During October 2001, the Company formed a joint venture (the "RioCan Venture") with RioCan Real Estate Investment Trust ("RioCan") in which the Company has a 50% non-controlling interest, to acquire retail properties and development projects in Canada. The acquisition and development projects are to be sourced and managed by RioCan and are subject to review and approval by a joint oversight committee consisting of RioCan management and the Company's management personnel. Capital contributions will only be required as suitable opportunities arise and are agreed to by the Company and RioCan.

As of December 31, 2006, the RioCan Venture was comprised of 34 operating properties consisting of approximately 8.1 million square feet of GLA.

## *Kimco / G.E. Joint Venture ("KROP") —*

During 2001, the Company formed a joint venture (the "Kimco Retail Opportunity Portfolio" or "KROP") with GE Capital Real Estate ("GECRE"), in which the Company has a 20% non-controlling interest and manages the portfolio.

During 2006, KROP acquired one operating property from the Company for an aggregate purchase price of approximately \$3.5 million.

During 2006, KROP sold three operating properties to a joint venture in which the Company has a 20% non-controlling interest for an aggregate sales price of approximately \$62.2 million. These sales resulted in an aggregate gain of approximately \$26.7 million. As a result of its continued 20% ownership interest in these properties, the Company has deferred recognition

of its share of these gains. In addition, KROP sold one operating property to a joint venture in which the Company has a 19% non-controlling interest for an aggregate sales price of \$96.0 million. This sale resulted in a gain of approximately \$42.3 million. As a result of its continued 19% ownership interest in this property, the Company recognized 1% of the gain.

Additionally, during 2006, KROP sold nine operating properties, one out-parcel and one land parcel, in separate transactions, for an aggregate sales price of approximately \$171.4 million. These sales resulted in an aggregate gain of approximately \$49.6 million of which the Company's share was approximately \$9.9 million.

During 2006, KROP obtained one non-recourse, non-cross collateralized variable rate mortgage for \$14.0 million on a property previously unencumbered with a rate of LIBOR plus 1.10%.

Additionally during 2006, KROP obtained a one-year \$15.0 million unsecured term loan, which bears interest at LIBOR plus 0.5%. This loan is guaranteed by the Company and GECRE has guaranteed reimbursement to the Company of 80% of any guaranty payment the Company is obligated to make.

During 2005, KROP acquired four operating properties and one out-parcel, in separate transactions, for an aggregate purchase price of approximately \$74.6 million, including the assumption of approximately \$26.2 million of individual non-recourse mortgage debt encumbering two of the properties and preferred units of approximately \$4.2 million associated with another property.

During 2005, KROP disposed of three unencumbered operating properties and two out-parcels, in separate transactions, for an aggregate sales price of approximately \$60.3 million. These sales resulted in an aggregate gain of approximately \$18.3 million of which the Company's share was approximately \$3.7 million.

During 2005, KROP obtained ten-year individual non-recourse, non-crossed collateralized fixed-rate mortgages aggregating approximately \$21.9 million on two of its previously unencumbered properties with rates ranging from 5.2% to 5.3%.

During 2005, KROP obtained two non-recourse, non-crossed collateralized variable rate mortgages for a total of \$25.7 million on two properties with rates of LIBOR plus 1.30% and 1.65% with terms of two and three years, respectively.

As of December 31, 2006, the KROP portfolio was comprised of 25 operating properties aggregating approximately 3.6 million square feet of GLA located in 10 states.

During August 2006, the Company and GECRE agreed to market for sale the remaining properties within the KROP venture.

#### *Kimco/UBS Joint Ventures ("KUBS") —*

The Company has joint venture investments with UBS Wealth Management North American Property Fund Limited ("UBS") in which the Company has non-controlling interests ranging from 15% to 20%. These joint ventures, (collectively "KUBS"), were established to acquire high quality retail properties primarily financed through the use of individual non-recourse mortgages. Capital contributions are only required as suitable opportunities arise and are agreed to by the Company and UBS. The Company manages the properties.

During 2006, KUBS acquired 15 operating properties for an aggregate purchase price of approximately \$447.8 million, which included approximately \$136.8 million of non-recourse debt encumbering 13 properties, with maturities ranging from three to ten years and bear interest at rates ranging from 4.74% to 6.20%.

Additionally during 2006, KUBS acquired one operating property from the Company, and five operating properties from joint ventures in which the Company has 15% to 20% non-controlling interests, for an aggregate purchase price of approximately \$297.0 million, including the assumption of approximately \$93.2 million of non-recourse mortgage debt encumbering two of the properties, with maturities ranging from six to seven years with interest rates ranging from 5.64% to 5.88%.

During 2005, KUBS acquired two operating properties for an aggregate purchase price of approximately \$30.5 million and purchased eight operating properties from the Company for an aggregate purchase price of approximately \$213.1 million. KUBS obtained individual non-recourse mortgages on five of the properties acquired from the Company aggregating \$56.9 million.

As of December 31, 2006, the KUBS portfolio was comprised of 31 operating properties aggregating approximately 5.0 million square feet of GLA located in 11 states.

#### *PL Retail —*

The Company acquired the Price Legacy Corporation through a newly formed joint venture, PL Retail LLC ("PL Retail"), in which the Company has a 15% non-controlling interest and manages the portfolio. In connection with this transaction, PL Retail acquired 33 operating properties aggregating approximately 7.6 million square feet of GLA located in ten states. To partially fund the acquisition, the Company provided PL Retail approximately \$30.6 million of secured mezzanine financing. This interest-only loan bore interest at a fixed rate of 7.5% and matured in December 2006. The Company also provided PL Retail a secured short-term promissory note of approximately \$8.2 million. This interest only note bore interest at LIBOR plus 4.50% and was scheduled to mature in June 2005. During 2005, this note was amended to bear interest at LIBOR plus 6.0% and is now payable on demand. As of December 31, 2006, there was no outstanding balances due the Company on the mezzanine financing or promissory note.

# Notes to Consolidated Financial Statements *(continued)*

During 2006, PL Retail sold one operating property for a sales price of approximately \$42.1 million, which resulted in a gain of approximately \$3.9 million of which the Company's share was approximately \$0.6 million.

Additionally during 2006, PL Retail sold one of its operating properties to a newly formed joint venture in which the Company has a 19% non-controlling interest for a sales price of approximately \$109.0 million. As a result of the Company's continued ownership no gain was recognized from this transaction. Proceeds of approximately \$17.0 million from these sales were used by PL Retail to repay the remaining balance of mezzanine financing and the promissory note which were previously provided by the Company.

During 2005, PL Retail entered into a \$39.5 million unsecured revolving credit facility, which bears interest at LIBOR plus 0.675% and was scheduled to mature in February 2007. During 2007, the loan was extended to February 2008 at a reduced rate of LIBOR plus 0.45%. This facility is guaranteed by the Company and the joint venture partner has guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make. As of December 31, 2006, there was \$39.5 million outstanding under this facility.

During the year ended December 31, 2005, PL Retail disposed of nine operating properties, in separate transactions, for an aggregate sales price of approximately \$81.4 million, which represented the approximate carrying values of the properties. Proceeds of approximately \$22.0 million were used to partially repay the mezzanine financing and promissory note that were provided by the Company.

As of December 31, 2006, PL Retail consisted of 23 operating properties aggregating approximately 5.8 million square feet of GLA located in seven states.

## *Other Real Estate Joint Ventures —*

The Company and its subsidiaries have investments in and advances to various other real estate joint ventures. These joint ventures are engaged primarily in the operation and development of shopping centers which are either owned or held under long-term operating leases.

During 2006, the Company acquired, in separate transactions, 36 operating properties and one ground lease, through joint ventures in which the Company has non-controlling interests. These properties were acquired for an aggregate purchase price of approximately \$726.7 million, including approximately \$419.5 million of non-recourse mortgage debt encumbering 20 of the properties. The Company's aggregate investment in these joint

ventures was approximately \$90.4 million. Details of these transactions are as follows (in thousands):

Property Name	Location	Month Acquired	Purchase Price			GLA
			Cash	Debt	Total	
Stabilus Building	Saltillo, Coahuila, Mexico	Jan-06	\$ 2,600	\$ —	\$ 2,600	63
American Industries (3 Locations)	Chihuahua & San Luis Postosi, Mexico	Feb-06	12,200	—	12,200	224
Crème de la Crème (2 Locations)	Allen & Colleyville, TX	Feb-06	2,409	7,229	9,638	41
Five free-standing locations	CO, OR, NM, NY	Mar-06	7,000	—	7,000	162
Edgewater Commons	Edgewater, NJ	Mar-06	44,104	74,250	118,354	424
Long Gate Shopping Ctr	Ellicott City, MD	Mar-06	36,330	40,200	76,530	433
Clackamas Promenade	Clackamas, OR	Mar-06	35,240	42,550	77,790	237
Westmont Portfolio (8 Locations)	Various, Canada	Mar-06	16,066	69,572	85,638	358
Crow Portfolio (3 Locations)	FL and TX	Apr-06	46,698	66,200	112,898	678
Great Northeast Plaza	Philadelphia, PA	Apr-06	36,500	—	36,500	290
Cessna Building	Chihuahua, Mexico	Apr-06	2,060	—	2,060	62
Crème de la Crème Westmont Portfolio	Coppell, TX	Jun-06	1,325	4,275	5,600	20
Werner II	Houston, TX	Jun-06	14,000	47,200	61,200	460
Cypress Towne Center	Juarez, Mexico	Jun-06	1,800	—	1,800	200
Bustleton Dunkin Donuts (ground lease)	Cypress, TX	Aug-06	13,332	25,650	38,982	196
American Industries	Philadelphia, PA	Aug-06	1,000	—	1,000	2
American Industries (ITT)	Juarez, Mexico	Aug-06	8,000	—	8,000	187
American Industries (Columbus)	Chihuahua, Mexico	Nov-06	3,152	—	3,152	57
American Industries (Zodiac)	Juarez, Mexico	Nov-06	2,174	—	2,174	39
Conroe Marketplace	Chihuahua, Mexico	Nov-06	3,100	—	3,100	80
	Conroe, TX	Dec-06	18,150	42,350	60,500	244
			\$307,240	\$419,476	\$726,716	4,457

During January 2006, the Company transferred 50% of its 60% interest in an operating property in Guadalajara, Mexico, to a joint venture partner for approximately \$12.8 million, which approximated its carrying value. As a result of this transaction, the Company now holds a 30% non-controlling interest and continues to account for its investment under the equity method of accounting.

During June 2006, the Company transferred 50% of its 60% interest in a development property located in Tijuana, Baja California, Mexico, to a joint venture partner for approximately \$6.4 million, which approximated its carrying value. As a result of this transaction, the Company now holds a 30% non-controlling interest and continues to account for its investment under the equity method of accounting.

During August 2006, the Company sold 50% of its 100% interest in a development property located in Monterrey, Mexico, to a joint venture partner for approximately \$9.6 million, which approximated its carrying value. The Company accounts for its remaining 50% interest under the equity method of accounting.

During 2006, joint ventures in which the Company has non-controlling interests ranging from 10% to 50%, disposed of, in separate transactions, six properties for an aggregate sales price of approximately \$62.4 million. These sales resulted in an aggregate gain of approximately \$8.1 million, of which the Company's share was approximately \$2.0 million.

During 2005, the Company acquired, in separate transactions, 69 operating properties through joint ventures in which the Company has non-controlling interests. These properties were acquired for an aggregate purchase price of approximately \$641.1 million, including approximately \$317.0 million of non-recourse mortgage debt encumbering 57 of the properties. The Company's aggregate investment in these joint ventures was approximately \$124.0 million. Details of these transactions are as follows (in thousands):

Property Name	Location	Month Acquired	Purchase Price			GLA
			Cash	Debt	Total	
Kmart Building	Hillsborough, NJ	Apr-05	\$ 2,100	\$1,900(a)	\$ 4,000	56
Hyatt Regency Cancun	Cancun, Mexico	May-05	19,700	—	19,700	306
Fremont Hub	Fremont, CA	Jun-05(b)	80,654	42,500	123,154	503
One City Center	Houston, TX	Jul-05	14,600	76,500	91,100	593
The Grove at Lakeland	Lakeland, FL	Jul-05	8,000	—	8,000	105
North Quincy	Quincy, MA	Jul-05	7,204	7,796	15,000	81
Riverside Center	St. Augustine, FL	Aug-05	5,560	—	5,560	63
Greeley S.C.	Greeley, CO	Sept-05	21,000	—	21,000	139
American Industries Portfolio (57 properties)	Various, Mexico	Oct-05	110,500	167,037	277,537	5,608
Docstone Commons	Stafford, VA	Nov-05	17,525	—	17,525	101
MacArthur Towne Center	Whitehall, PA	Nov-05	17,150	—	17,150	151
The Center at East Northport	East Northport, NY	Nov-05	9,000	—	9,000	26
Cambridge Crossing	Troy, MI	Dec-05	11,108	21,257	32,365	223
			\$324,101	\$316,990	\$641,091	7,955

(a) This loan is jointly and severally guaranteed by the joint venture partners, including the Company.

(b) The Company acquired an additional 25% interest in this joint venture.

During March 2005, the Company transferred 50% of the Company's 95% interest in a developed property located in Huehuetoca, Mexico, to a joint venture partner for approximately \$5.3 million, which approximated its carrying value. As a result

of this transaction, the Company now holds a 47.5% non-controlling interest and has deconsolidated the investment. The Company accounts for its investment under the equity method of accounting.

During July 2005, the Company transferred a developed property located in Reynosa, Mexico, to a newly formed joint venture in which the Company has a 50% non-controlling interest, for a price of approximately \$6.9 million. The Company accounts for this investment under the equity method of accounting.

During September 2005, the Company transferred 45 operating properties, comprising approximately 0.3 million square feet of GLA, located in Virginia and Maryland to a newly formed unconsolidated joint venture in which the Company has a 15% non-controlling interest. The transfer price was approximately \$85.3 million including the assignment of approximately \$65.0 million of cross-collateralized non-recourse mortgage debt encumbering all of the properties.

During 2005, the Company transferred, in separate transactions, five operating properties comprising approximately 0.7 million square feet of GLA, to newly formed joint ventures in which the Company has 20% non-controlling interests, for an aggregate price of approximately \$85.6 million, including the assignment of approximately \$40.2 million of mortgage debt encumbering three of the properties.

Summarized financial information for these real estate joint ventures is as follows (in millions):

December 31,	2006	2005	
<b>Assets:</b>			
Real estate, net	\$ 11,858.0	\$ 6,470.4	
Other assets	418.4	308.5	
	<b>\$ 12,276.4</b>	<b>\$ 6,778.9</b>	
<b>Liabilities and Partners' Capital:</b>			
Mortgages payable	\$ 6,931.5	\$ 4,443.6	
Notes payable	1,388.5	58.7	
Construction loans	24.2	69.6	
Other liabilities	176.8	144.0	
Minority interest	107.1	81.9	
Partners' capital	3,648.3	1,981.1	
	<b>\$ 12,276.4</b>	<b>\$ 6,778.9</b>	
<b>Year Ended December 31,</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenues from rental property	\$1,007.1	\$759.0	\$545.8
Operating expenses	(287.6)	(214.0)	(155.6)
Interest	(323.7)	(247.1)	(171.0)
Depreciation and amortization	(223.3)	(153.7)	(97.1)
Other, net	(13.1)	(8.4)	(5.8)
	<b>(847.7)</b>	<b>(623.2)</b>	<b>(429.5)</b>
Income from continuing operations	159.4	135.8	116.3
<b>Discontinued Operations:</b>			
Income/(loss) from discontinued operations	8.1	(1.7)	1.8
Gain on dispositions of properties	134.6	52.5	20.2
Net income	<b>\$ 302.1</b>	<b>\$186.6</b>	<b>\$138.3</b>

# Notes to Consolidated Financial Statements *(continued)*

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately \$13.5 million and \$13.2 million at December 31, 2006 and 2005, respectively. The Company and its subsidiaries have varying equity interests in these real estate joint ventures, which may differ from their proportionate share of net income or loss recognized in accordance with GAAP.

The Company's maximum exposure to losses associated with its unconsolidated joint ventures is primarily limited to its carrying value in these investments. As of December 31, 2006 and 2005, the Company's carrying value in these investments approximated \$1.1 billion and \$735.6 million, respectively.

## 8. Other Real Estate Investments:

### *Preferred Equity Capital —*

The Company maintains a Preferred Equity program, which provides capital to developers and owners of real estate properties. During 2006 the Company provided, in separate transactions, an aggregate of approximately \$223.9 million in investment capital to developers and owners of 101 real estate properties. During 2005, the Company provided, in separate transactions, an aggregate of approximately \$84.3 million in investment capital to developers and owners of 79 real estate properties. As of December 31, 2006, the Company's net investment under the Preferred Equity program was approximately \$400.4 million relating to 215 properties. For the years ended December 31, 2006, 2005 and 2004, the Company earned approximately \$40.1 million, including \$12.2 million of profit participation earned from 16 capital transactions, \$32.8 million, including \$12.6 million of profit participation earned from six capital transactions, and \$11.4 million, including \$3.9 million of profit participation earned from four capital transactions, respectively, from these investments.

Summarized financial information relating to the Company's preferred equity investments is as follows (in millions):

December 31,	2006	2005	2004
Assets:			
Real estate, net	\$ 1,683.8	\$ 945.0	
Other assets	113.4	65.5	
	<u>\$ 1,797.2</u>	<u>\$ 1,010.5</u>	
Liabilities and Partners' Capital:			
Notes and mortgages payable	\$ 1,239.7	\$ 703.3	
Other liabilities	55.2	19.7	
Partners' capital	502.3	287.5	
	<u>\$ 1,797.2</u>	<u>\$ 1,010.5</u>	
Year Ended December 31,	2006	2005	2004
Revenues from Rental Property	\$ 177.6	\$ 118.5	\$ 61.6
Operating expenses	(58.6)	(42.0)	(19.4)
Interest	(61.6)	(38.9)	(21.2)
Depreciation and amortization	(34.2)	(19.3)	(9.6)
Other, net	(4.4)	(1.2)	(0.3)
	<u>(158.8)</u>	<u>(101.4)</u>	<u>(50.5)</u>
	18.8	17.1	11.1
Gain on disposition of properties	49.4	49.8	4.4
Net income	<u>\$ 68.2</u>	<u>\$ 66.9</u>	<u>\$ 15.5</u>

The Company's maximum exposure to losses associated with its preferred equity investments is primarily limited to its invested capital. As of December 31, 2006 and 2005, the Company's invested capital in its preferred equity investments approximated \$400.4 million and \$225.9 million, respectively.

### *Investment in Retail Store Leases —*

The Company has interests in various retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in these retail store leases during the years ended December 31, 2006, 2005 and 2004, was approximately \$1.3 million, \$9.1 million and \$3.9 million, respectively. These amounts represent sublease revenues during the years ended December 31, 2006, 2005 and 2004, of approximately \$8.2 million, \$17.8 million and \$13.3 million, respectively, less related expenses of \$5.7 million, \$7.4 million and \$8.0 million, respectively, and an amount which, in management's estimate, reasonably provides for the recovery of the investment over a period representing the expected remaining term of the retail store leases. The Company's future minimum revenues under the terms of all non-cancelable tenant subleases and future minimum obligations through the remaining terms of its retail store leases, assuming no new or renegotiated leases are executed for such premises, for future years are as follows (in millions): 2007, \$7.4 and \$4.6; 2008, \$6.6 and \$4.0; 2009, \$5.8 and \$3.6; 2010, \$5.0 and \$3.2; 2011, \$4.0 and \$2.6; and thereafter, \$2.8 and \$2.2, respectively.

### *Leveraged Lease —*

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately \$4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, Accounting for Leases (as amended).

From 2002 to 2005, 14 of these properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$27.1 million.

During 2006, an additional two properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$1.2 million. As of December 31, 2006, the remaining 14 properties were encumbered by third-party non-recourse debt of approximately \$48.4 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease.

As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this obligation has been offset against the related net rental receivable under the lease.

At December 31, 2006 and 2005, the Company's net investment in the leveraged lease consisted of the following (in millions):

	2006	2005
Remaining net rentals	\$ 62.3	\$ 68.9
Estimated unguaranteed residual value	40.5	43.8
Non-recourse mortgage debt	(48.4)	(52.8)
Unearned and deferred income	(50.7)	(55.9)
Net investment in leveraged lease	\$ 3.7	\$ 4.0

## 9. Mortgages and Other Financing Receivables:

During January 2006, the Company provided approximately \$16.0 million as its share of a \$50.0 million junior participation in a \$700.0 million first mortgage loan, in connection with a private investment firm's acquisition of a retailer. This loan participation bore interest at LIBOR plus 7.75% per annum and had a two-year term with a one-year extension option and was collateralized by certain real estate interests of the retailer. During June 2006, the borrower elected to pre-pay the outstanding loan balance of approximately \$16.0 million in full satisfaction of this loan.

Additionally, during January 2006, the Company provided approximately \$5.2 million as its share of an \$11.5 million term loan to a real estate developer for the acquisition of a 59 acre land parcel located in San Antonio, TX. This loan is interest only at a fixed rate of 11.0% for a term of two years payable monthly and collateralized by a first mortgage on the subject property. As of December 31, 2006, the outstanding balance on this loan was approximately \$5.2 million.

During February 2006, the Company committed to provide a one year \$17.2 million credit facility at a fixed rate of 8.0% for a term of nine months and 9.0% for the remaining term to a real estate investor for the recapitalization of a discount and entertainment mall that it currently owns. During 2006, this facility was fully paid and was terminated.

During April 2006, the Company provided two separate mortgages aggregating \$14.5 million on a property owned by a real estate investor. Proceeds were used to payoff the existing first mortgage, buyout the existing partner and for redevelopment of the property. The mortgages bear interest at 8.0% per annum and mature in 2008 and 2013. These mortgages are collateralized by the subject property. As of December 31, 2006, the aggregate outstanding balance on these mortgages was approximately \$15.0 million, including \$0.5 million of accrued interest.

During May 2006, the Company provided a CAD \$23.5 million collateralized credit facility at a fixed rate of 8.5% per annum for a term of two years to a real estate company for the execution of its property acquisitions program. The credit facility is guaranteed by the real estate company. The Company was issued 9,811 units, valued at approximately USD \$0.1 million, and warrants to purchase up to 0.1 million shares of the real estate company as a loan origination fee. During August 2006, the Company increased the credit facility to CAD \$45.0 million and

received an additional 9,811 units, valued at approximately USD \$0.1 million, and warrants to purchase up to 0.1 million shares of the real estate company. As of December 31, 2006, the outstanding balance on this credit facility was approximately CAD \$3.6 million (approximately USD \$3.1 million).

During September 2005, a newly formed joint venture, in which the Company had an 80% interest, acquired a 90% interest in a \$48.4 million mortgage receivable for a purchase price of approximately \$34.2 million. This loan bore interest at a rate of three-month LIBOR plus 2.75% per annum and was scheduled to mature on January 12, 2010. A 626-room hotel located in Lake Buena Vista, FL collateralized the loan. The Company had determined that this joint venture entity was a VIE and had further determined that the Company was the primary beneficiary of this VIE and had therefore consolidated it for financial reporting purposes. During March 2006, the joint venture acquired the remaining 10% of this mortgage receivable for a purchase price of approximately \$3.8 million. During June 2006, the joint venture accepted a pre-payment of approximately \$45.2 million from the borrower as full satisfaction of this loan.

During August 2006, the Company provided \$8.8 million as its share of a \$13.2 million 12-month term loan to a retailer for general corporate purposes. This loan bears interest at a fixed rate of 12.50% with interest payable monthly and a balloon payment for the principal balance at maturity. The loan is collateralized by the underlying real estate of the retailer. Additionally, the Company funded \$13.3 million as its share of a \$20.0 million revolving Debtor-in-Possession facility to this retailer. The facility bears interest at LIBOR plus 3.00% and has an unused line fee of 0.375%. This credit facility is collateralized by a first priority lien on all the retailer's assets. As of December 31, 2006, the Company's share of the outstanding balance on this loan and credit facility was approximately \$7.6 million and \$4.9 million, respectively.

During September 2006, the Company provided a MXP 57.3 million (approximately USD \$5.3 million) loan to an owner of an operating property in Mexico. The loan, which is collateralized by the property, bears interest at 12.0% per annum and matures in 2016. The Company is entitled to a participation feature of 25% of annual cash flows after debt service and 20% of the gain on sale of the property. As of December 31, 2006, the outstanding balance on this loan was approximately MXP 57.8 million (approximately USD \$5.3 million).

During November 2006, the Company committed to provide a MXP 124.8 million (approximately USD \$11.5 million) loan to an owner of a land parcel in Acapulco, Mexico. The loan, which is collateralized with an operating property owned by the borrower, bears interest at 10% per annum and matures in 2016. The Company is entitled to a participation feature of 20% of excess cash flows and gains on sale of the property. As of December 31, 2006, the outstanding balance on this loan was MXP 12.8 million (approximately USD \$1.2 million).

# Notes to Consolidated Financial Statements *(continued)*

During December 2006, the Company provided \$5.0 million as its share of a one-year \$27.5 million mortgage loan to a real estate developer. The proceeds were used to payoff the existing debt. The loan is collateralized by a parcel of land and bears interest at a fixed rate of 13%, which is payable monthly with any unpaid accrued interest and principal payable at maturity. As of December 31, 2006, the outstanding balance on this loan was \$5.0 million.

During May 2002, the Company provided a secured \$15 million three-year term loan and a secured \$7.5 million revolving credit facility to Frank's at an interest rate of 10.25% per annum collateralized by 40 real estate interests. Interest was payable quarterly in arrears. During 2003, the revolving credit facility was amended to increase the total borrowing capacity to \$17.5 million. During January 2004, the revolving loan was further amended to provide up to \$33.75 million of borrowings from the Company. During September 2004, Frank's filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company committed to provide an additional \$27.0 million of Debtor-in-Possession financing with a term of one year at an interest rate of Prime plus 1.00% per annum. During July 2005, Frank's emerged from bankruptcy as FNC and repaid all outstanding amounts owed to the Company under the revolving credit facility and Debtor-in-Possession financing (See Note 3 of the Notes to Consolidated Financial Statements included in this Annual Report).

During April 2005, the Company provided a construction loan commitment of up to MXP 53.5 million (approximately USD \$5.0 million) to a developer for the construction of a new retail center in Acapulco, Mexico. The loan bears interest at a fixed rate of 11.75% and provides for an additional 20% participation of property cash flow, as defined. This facility is collateralized by the related property and matures in May 2015. As of December 31, 2006, there was approximately MXP 53.5 million (USD \$4.9 million) outstanding on this loan.

Additionally, during April 2005, a newly formed joint venture, in which the Company has a 50% non-controlling interest, provided a retailer with a three-year \$28.0 million revolving line of credit at a floating interest rate of Prime plus 5.5% per annum. The facility also provides for a 3.0% unused line fee and a 2.50% origination fee. The facility is collateralized by certain real estate interests of the borrower. As of December 31, 2006, the outstanding balance on this facility was \$25.5 million of which the Company's share was \$12.8 million.

During May 2005, a newly formed joint venture, in which the Company has a 44.38% Debtor-in-Possession financing to a healthcare facility that recently filed for protection under the bankruptcy code and is closing its operations. The term of this loan was two years and bore interest at prime plus 2.5%. The loan was collateralized by a hospital building, a six-story commercial building, a 12-story 133-unit apartment complex and various other building structures. During April 2006, the healthcare

facility paid the outstanding balance on the loan and the loan was terminated.

Additionally, during May 2005, the Company acquired four mortgage loans collateralized by individual properties with an aggregate face value of approximately \$16.6 million for approximately \$14.3 million. These performing loans, which provide for monthly payments of principal and interest, bear interest at a fixed-rate of 7.57% and mature on June 1, 2019. As of December 31, 2006, there was an aggregate of approximately \$13.8 million outstanding on these loans.

During October 2005, the Company provided a construction loan commitment of up to \$38.1 million to a developer for acquisition and redevelopment of a retail center located in Richland Township, PA. The loan is interest only at a rate of LIBOR plus 2.20% and matures in October of 2007. As of December 31, 2006, the outstanding balance on this loan was approximately \$12.6 million.

During March 2002, the Company provided a \$50.0 million ten-year loan to Shopko Stores, Inc., at an interest rate of 11.0% per annum collateralized by 15 properties. The Company received principal and interest payments on a monthly basis. During January 2003, the Company sold a \$37.0 million participation interest in this loan to an unaffiliated third party. The interest rate on the \$37.0 million participation interest is a variable rate based on LIBOR plus 3.50%. The Company continued to act as the servicer for the full amount of the loan. During December 2005, Shopko elected to prepay the outstanding loan balance of approximately \$46.7 million in full satisfaction of this loan. Shopko, also paid a prepayment penalty to the Company of \$14.0 million.

During December 2005, the Company provided a construction loan commitment of up to MXP 39.9 million (approximately USD \$3.7 million) to a developer for the construction of a new retail center in Magno Deco, Mexico. The loan bears interest at a fixed rate of 11.75% and provides for an additional 20% participation of property cash flow, as defined. This loan is collateralized by the related property and matures in May 2015. As of December 31, 2006, there was approximately MXP 30.3 million (USD \$2.8 million) outstanding on this loan.

During July 2004, the Company provided an \$11.0 million five-year term loan to a retailer at a floating interest rate of Prime plus 3.0% per annum or, at the borrower's election, LIBOR plus 5.5% per annum. The facility was interest only, payable monthly in arrears and was collateralized by certain real estate interests of the borrower. During December 2005, the borrower elected to prepay the outstanding loan balance of \$11.0 million in full satisfaction of this loan.

During September 2004, the Company acquired a \$3.5 million mortgage receivable for \$2.7 million. The interest rate on this mortgage loan was Prime plus 1.0% per annum with principal and interest paid monthly. This loan was scheduled to mature in February 2006 and was collateralized by a shopping center comprising 0.3 million square feet of GLA in Wilkes-Barre, PA.

During May 2005, the borrower elected to prepay the outstanding loan balance in full satisfaction of this loan.

## 10. Marketable Securities:

The amortized cost and estimated fair values of securities available-for-sale and held-to-maturity at December 31, 2006 and 2005, are as follows (in thousands):

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	\$ 82,910	\$ 38,718	\$(1,775)	\$ 119,853
Held-to-maturity:				
Other debt securities	82,806	3,451	(639)	85,618
Total marketable securities	\$165,716	\$ 42,169	\$(2,414)	\$ 205,471

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	\$ 85,613	\$ 63,466	\$ (56)	\$ 149,023
Held-to-maturity:				
Other debt securities	57,429	3,615	(1,953)	59,091
Total marketable securities	\$ 143,042	\$ 67,081	\$(2,009)	\$ 208,114

As of December 31, 2006, the contractual maturities of Other debt securities classified as held-to-maturity are as follows: within one year, \$1.5 million; after one year through five years, \$36.7 million; after five years through 10 years, \$27.0 million and after 10 years, \$17.6 million. Actual maturities may differ from contractual maturities as issuers may have the right to prepay debt obligations with or without prepayment penalties.

## 11. Notes Payable:

The Company has implemented a medium-term notes ("MTN") program pursuant to which it may, from time to time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs, and (ii) managing the Company's debt maturities.

As of December 31, 2006, a total principal amount of approximately \$1.4 billion in senior fixed-rate MTNs was outstanding. These fixed-rate notes had maturities ranging from five months to nine years as of December 31, 2006, and bear interest at rates ranging from 3.95% to 7.90%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears. Proceeds from these issuances were primarily used for the acquisition of neighborhood and community shopping centers, the expansion

and improvement of properties in the Company's portfolio and the repayment of certain debt obligations of the Company.

During March 2006, the Company issued \$300.0 million of fixed rate unsecured senior notes under its MTN program. This fixed rate MTN matures March 15, 2016 and bears interest at 5.783% per annum. The proceeds from this MTN issuance were primarily used to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility and for general corporate purposes.

During June 2006, the Company entered into a third supplemental indenture, under the indenture governing its medium-term notes and senior notes, which amended the (i) total debt test and secured debt test by changing the asset value definition from undepreciated real estate assets to total assets, with total assets being defined as undepreciated real estate assets, plus other assets (but excluding goodwill and amortized debt costs) and (ii) maintenance of unencumbered total asset value covenant by increasing the requirement of the ratio of unencumbered total asset value to outstanding unsecured debt from 1 to 1 to 1.5 to 1. Additionally, the same amended covenants were adopted within the Canadian supplemental indenture, which governs the 4.45% Canadian Debentures due in 2010. In connection with the consent solicitation, the Company incurred costs aggregating approximately \$5.8 million, of which \$1.8 million was related to costs paid to third parties, which were expensed. The remaining \$4.0 million was related to fees paid to note holders, which were capitalized and are being amortized over the remaining term of the notes.

During 2006, the Company repaid its (i) \$30.0 million 6.93% fixed rate notes, which matured on July 20, 2006, (ii) \$100.0 million floating rate notes, which matured August 1, 2006 and (iii) \$55.0 million 7.50% fixed rate notes, which matured on November 5, 2006.

During August 2006, Kimco North Trust III, a wholly-owned entity of the Company, completed the issuance of \$200.0 million Canadian denominated senior unsecured notes. The notes bear interest at 5.18% and mature on August 16, 2013. The proceeds were used by Kimco North Trust III, to pay down outstanding indebtedness under the existing Canadian credit facility and to fund long-term investments in Canadian real estate.

In connection with the October 31, 2006 Pan Pacific merger transaction, the Company assumed \$650.0 million of unsecured notes payable, including \$20.0 million of fair value debt premiums. These notes bear interest at fixed rates ranging from 4.70% to 7.95% per annum and have maturity dates ranging from June 29, 2007 to September 1, 2015.

During February 2005, the Company issued \$100.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in February 2015 and bears interest at 4.904% per annum. The proceeds from this MTN issuance were primarily used for the repayment of all \$20.0 million of the Company's fixed-rate notes that matured in April 2005, which bore interest at 7.91%, all \$10.25 million of the Company's fixed-

# Notes to Consolidated Financial Statements *(continued)*

rate notes that matured in May 2005, which bore interest at 7.30%, and partial repayment of the Company's \$100.0 million fixed-rate notes which matured in June 2005, and bore interest at 6.73%.

During June 2005, the Company issued \$200.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in June 2014 and bears interest at 4.82% per annum. The proceeds from this issuance were primarily used to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility and for general corporate purposes.

During November 2005, the Company issued an aggregate \$250.0 million of fixed-rate unsecured senior notes under its MTN program. The Company issued a \$150.0 million MTN which matures in November 2015 and bears interest at 5.584% per annum and a \$100.0 million MTN which matures in February 2011 and bears interest at 5.304% per annum. Proceeds from these MTN issuances were used for general corporate purposes and to repay a portion of the outstanding balance under the Company's U.S. revolving credit facility. A portion of the outstanding balance related to the repayment of the Company's \$50.0 million 7.68% fixed-rate notes, which matured on November 1, 2005 and repayment of the Company's \$20.0 million 6.83% fixed-rate notes, which matured on November 14, 2005.

During April 2005, Kimco North Trust III completed the issuance of \$150.0 million Canadian denominated senior unsecured notes. The notes bear interest at 4.45% and mature on April 21, 2010. The Company has provided a full and unconditional guarantee of the notes. The proceeds were used by Kimco North Trust III to pay down outstanding indebtedness under existing credit facilities, to fund long-term investments in Canadian real estate and for general corporate purposes.

As of December 31, 2006, the Company had a total principal amount of \$1.3 billion in fixed-rate unsecured senior notes. These fixed-rate notes had maturities ranging from six months to nine years as of December 31, 2006, and bear interest at rates ranging from 4.45% to 7.95%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears.

The scheduled maturities of all unsecured notes payable as of December 31, 2006, were approximately as follows (in millions): 2007, \$256.9; 2008, \$125.7; 2009, \$180.0; 2010, \$205.1; 2011, \$363.4 and thereafter, \$1,617.2.

The Company has an \$850.0 million unsecured revolving credit facility (the "Credit Facility"), which is scheduled to expire in July 2008. Under the Credit Facility funds may be borrowed for general corporate purposes, including the funding of (i) property acquisitions, (ii) development and redevelopment costs and (iii) any short-term working capital requirements. Interest on borrowings under the Credit Facility accrue at a spread (currently 0.45%) to LIBOR and fluctuates in accordance with changes in the Company's senior debt ratings. As part of this Credit Facility, the Company has a competitive bid option whereby the Company may auction up to \$425.0 million of its requested borrowings to

the bank group. This competitive bid option provides the Company the opportunity to obtain pricing below the currently stated spread to LIBOR of 0.45%. A facility fee of 0.125% per annum is payable quarterly in arrears. In addition, the Company has a \$200.0 million sub-limit which provides it the opportunity to borrow in alternative currencies such as Pounds Sterling, Japanese Yen or Euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is (i) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate debt and minimum unencumbered asset and equity levels and (ii) restricted from paying dividends in amounts that exceed 95% of funds from operations, as defined. As of December 31, 2006, there was no outstanding balance under the Credit Facility.

Additionally, the Company has a CAD \$250.0 million unsecured revolving credit facility with a group of banks. This facility originally bore interest at the CDOR Rate, as defined, plus 0.50% and is scheduled to expire in March 2008. During January 2006, the facility was amended to reduce the borrowing spread to 0.45% and to modify the covenant package to conform to the Company's \$850.0 million U.S. credit facility. Proceeds from this facility are used for general corporate purposes including the funding of Canadian-denominated investments. As of December 31, 2006, there was no outstanding balance under this facility.

The Company also has a three-year MXP 500.0 million unsecured revolving credit facility. This facility bears interest at the THIE Rate, as defined, plus 1.00% and is scheduled to expire in May 2008. Proceeds from this facility are used to fund peso-denominated investments. As of December 31, 2006, there was no outstanding balance under this facility.

In accordance with the terms of the Indenture, as amended, pursuant to which the Company's senior unsecured notes have been issued, the Company is (a) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate and secured debt, minimum debt service coverage ratios and minimum equity levels and (b) restricted from paying dividends in amounts that exceed by more than \$26.0 million the funds from operations, as defined, generated through the end of the calendar quarter most recently completed prior to the declaration of such dividend; however, this dividend limitation does not apply to any distributions necessary to maintain the Company's qualification as a REIT providing the Company is in compliance with its total leverage limitations.

## 12. Mortgages Payable:

During 2006, the Company (i) obtained an aggregate of approximately \$52.7 million of individual non-recourse mortgage debt on five operating properties, (ii) assumed approximately \$253.6 million of individual non-recourse mortgage debt relating to the acquisition of 19 operating properties, including approximately \$2.9 million of fair value debt adjustments, (iii) consolidated approximately \$27.1 million of non-recourse mortgage debt

relating to the purchase of additional ownership interests in various entities, (iv) paid off approximately \$61.9 million of individual non-recourse mortgage debt that encumbered 16 operating properties, and (v) assigned approximately \$3.9 million of non-recourse mortgage debt relating to the sale of an operating property.

During 2005, the Company (i) obtained an aggregate of approximately \$95.6 million of individual non-recourse mortgage debt on 53 operating properties, (ii) assumed approximately \$79.7 million of individual non-recourse mortgage debt relating to the acquisition of 11 operating properties, including approximately \$6.3 million of fair value debt adjustments, (iii) consolidated approximately \$33.2 million of non-recourse mortgage debt relating to the purchase of additional ownership interest in various entities, (iv) assigned approximately \$119.8 million of individual non-recourse mortgage debt relating to the transfer of 49 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30%, (v) paid off approximately \$66.9 million of individual non-recourse mortgage debt that encumbered 11 operating properties, (vi) deconsolidated approximately \$41.4 million of non-recourse mortgage debt relating to the reduction of the Company's economic interest in a joint venture and (vii) assigned approximately \$7.8 million of non-recourse mortgage debt relating to the sale of an operating property.

Mortgages payable, collateralized by certain shopping center properties and related tenants' leases, are generally due in monthly installments of principal and/or interest which mature at various dates through 2035. Interest rates range from approximately 4.95% to 10.50% (weighted-average interest rate of 7.0% as of December 31, 2006). The scheduled principal payments of all mortgages payable, excluding unamortized fair value debt adjustments of approximately \$14.3 million, as of December 31, 2006, were approximately as follows (in millions): 2007, \$45.1; 2008, \$95.3; 2009, \$56.0; 2010, \$29.3; 2011, \$38.8 and thereafter, \$289.1.

### 13. Construction Loans Payable:

During 2006, the Company obtained construction financing on three ground-up development projects for an aggregate original loan commitment amount of up to \$83.8 million, of which approximately \$36.0 million was outstanding at December 31, 2006. The Company assigned a \$7.2 million construction loan, which bore interest at LIBOR plus 1.75% and was scheduled to mature in November 2006, in connection with the sale of its partnership interest in one project. As of December 31, 2006, the Company had a total of 13 construction loans with total commitments of up to \$330.9 million, of which \$271.0 million had been funded. These loans had maturities ranging from two to 31 months and variable interest rates ranging from 6.87% to 7.32% at December 31, 2006. These construction loans are collateralized by the respective projects and associated tenants' leases. The scheduled maturities of all construction loans payable as of

December 31, 2006, were approximately as follows (in millions): 2007, \$164.3; 2008, \$81.5 and 2009, \$25.2.

During 2005, the Company obtained a term loan and construction financing on two ground-up development projects for an aggregate original loan commitment amount of up to \$50.5 million, of which approximately \$22.4 million was outstanding at December 31, 2005. As of December 31, 2005, the Company had a total of 15 construction loans with total commitments of up to \$343.5 million, of which \$228.5 million had been funded. These loans had maturities ranging from four to 31 months and variable interest rates ranging from 6.04% to 6.64% at December 31, 2005. These construction loans are collateralized by the respective projects and associated tenants' leases. The scheduled maturities of all construction loans payable as of December 31, 2005, were approximately as follows (in millions): 2006, \$87.7; 2007, \$86.3 and 2008, \$54.5.

### 14. Minority Interests:

Minority interests represent the portion of equity that the Company does not own in those entities it consolidates as a result of having a controlling interest or determined that the Company was the primary beneficiary of variable interest entity in accordance with the provisions and guidance of FIN 46(R).

Minority interests includes approximately \$233.0 million of units, including premiums of approximately \$13.5 million and a fair market value adjustment of approximately \$15.1 million (the "Units"), related to interests acquired in seven shopping center properties located throughout Puerto Rico during 2006. The properties were acquired through the issuance of approximately \$158.6 million of non-convertible units, approximately \$45.8 million of convertible units, the assumption of approximately \$131.2 million of non-recourse debt and \$116.3 million in cash. The Company is restricted from disposing of these assets, other than through a tax free transaction until November 2015.

The Units consist of (i) approximately 81.8 million Preferred A Units par value \$1.00 per unit, which pay the holder a return of 7.0% per annum on the Preferred A Par Value and are redeemable for cash by the holder at anytime after one year or callable by the Company any time after six months and contain a promote feature based upon an increase in net operating income of the properties capped at a 10.0% increase, (ii) 2,000 Class A Preferred Units, par value \$10,000 per unit, which pay the holder a return equal to LIBOR plus 2.0% per annum on the Class A Preferred Par Value and are redeemable for cash by the holder at anytime after November 30, 2010, (iii) 2,627 Class B-1 Preferred Units, par value \$10,000 per unit, which pay the holder a return equal to 7.0% per annum on the Class B-1 Preferred Par Value and are redeemable by the holder at anytime after November 30, 2010 for cash or at the Company's option, shares of the Company's common stock, equal to the Cash Redemption Amount, as defined, (iv) 5,673 Class B-2 Preferred Units, par value \$10,000 per units, which pay the holder a return equal to 7.0% per annum on the Class B-2 Preferred par value and are redeemable for cash

# Notes to Consolidated Financial Statements *(continued)*

by the holder at anytime after November 30, 2010 and (v) 640,001 Class C DownReit Units, valued at an issuance price of \$30.52 per unit which pay the holder a return at a rate equal to the Company's common stock dividend and are redeemable by the holder at anytime after November 30, 2010, for cash or at the Company's option, shares of the Company's common stock equal to the Class C Cash Amount, as defined.

Also included in Minority interests are approximately \$41.6 million, including a discount of \$0.3 million and a fair market value adjustment of \$3.8 million, in redeemable units (the "Redeemable Units"), issued by the Company related to the acquisition of two shopping center properties located in Bay Shore and Centereach, NY during 2006. The properties were acquired through the issuance of \$24.2 million of Redeemable Units, which are redeemable at the option of the holder; approximately \$14.0 million of fixed rate Redeemable Units and the assumption of approximately \$23.4 million of non-recourse debt. The Redeemable Units consist of (i) 13,963 Class A Units, par value \$1,000 per unit, which pay the holder a return of 5% per annum of the Class A par value and are redeemable for cash by the holder at anytime after April 3, 2011 or callable by the Company anytime after April 3, 2016, and (ii) 647,758 Class B Units, valued at an issuance price of \$37.24 per unit, which pay the holder a return at a rate equal to the Company's common stock dividend and are redeemable by the holder at anytime after April 3, 2007 for cash or at the option of the Company for Common Stock at a ratio of 1:1, or callable by the Company anytime after April 3, 2026. The Company is restricted from disposing of these assets, other than through a tax free transaction, until April 2016 and April 2026 for the Centereach, NY, and Bay Shore, NY, assets, respectively.

Minority interests also includes 138,015 convertible units issued during 2006, by the Company, which are valued at approximately \$5.3 million, including a fair market value adjustment of \$0.3 million, related to an interest acquired in an office building located in Albany, NY. These units are redeemable at the option of the holder after one year for cash or at the option of the Company for the Company's common stock at a ratio of 1:1. The holder is entitled to a distribution equal to the dividend rate of the Company's common stock. The Company is restricted from disposing of these assets, other than through a tax free transaction, until January 2017.

Minority interests also includes approximately 4.8 million convertible units (the "Convertible Units") issued by the Company valued at \$80.0 million related to an interest acquired in a shopping center property located in Daly City, CA, in 2002. The Convertible Units are convertible at a ratio of 1:1 into Common Stock and are entitled to a distribution equal to the dividend rate of the Company's common stock multiplied by 1.1057.

## 15. Fair Value Disclosure of Financial Instruments:

All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at amounts which, in

management's estimation based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are reflected. The valuation method used to estimate fair value for fixed-rate debt and minority interests relating to mandatorily redeemable non-controlling interests associated with finite-lived subsidiaries of the Company is based on discounted cash flow analyses. The fair values for marketable securities are based on published or securities dealers' estimated market values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition. The following are financial instruments for which the Company's estimate of fair value differs from the carrying amounts (in thousands):

	December 31,			
	2006		2005	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Marketable Securities	\$ 202,659	\$ 205,471	\$ 206,452	\$ 208,114
Notes Payable	\$ 2,748,345	\$ 2,762,751	\$ 2,147,405	\$ 2,172,031
Mortgages Payable	\$ 567,917	\$ 581,846	\$ 315,336	\$ 330,897
Mandatorily Redeemable Minority Interests (termination dates ranging from 2019 – 2027)	\$ 1,263	\$ 4,436	\$ 1,782	\$ 4,934

## 16. Financial Instruments - Derivatives and Hedging:

The Company is exposed to the effect of changes in interest rates, foreign currency exchange rate fluctuations and market value fluctuations of equity securities. The Company limits these risks by following established risk management policies and procedures including the use of derivatives.

The principal financial instruments generally used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross currency swaps and equity warrant contracts. The Company, from time to time, hedges the future cash flows of its floating-rate debt instruments to reduce exposure to interest rate risk principally through interest rate swaps with major financial institutions.

During 2006, the Company entered into two interest rate swaps, with notional amounts of \$21.5 million and \$6.25 million, respectively. The interest rate swaps are designated as cash flow hedges and mature in 2016 and 2009, respectively. The change in fair value of the interest rate swaps representing unrealized losses recorded in OCI, as of December 31, 2006, was approximately \$0.1 million.

As of December 31, 2005, the Company had foreign currency forward contracts designated as net investment hedges of its Canadian investments in real estate aggregating approximately CAD \$5.2 million. During 2006, the Company settled its remaining CAD forward contracts. In addition, the Company had a cross currency interest rate swap with an aggregate notional amount of approximately MXP 82.4 million (approximately USD

\$7.6 million) designated as a hedge of its Mexican real estate investments at December 31, 2006 and 2005, respectively.

The Company has designated these foreign currency agreements as net investment hedges of the foreign currency exposure of its net investment in Canadian and Mexican real estate operations. These agreements are highly effective in reducing the exposure to fluctuations in exchange rates. As such, gains and losses on these net investment hedges were reported in the same manner as a translation adjustment in accordance with SFAS No. 52, Foreign Currency Translation. During 2006 and 2005, respectively, \$0.2 million and \$0.7 million of unrealized losses and \$0.3 and \$3.2 million of unrealized gains were included in the cumulative translation adjustment relating to the Company's net investment hedges of its Canadian and Mexican investments.

During 2001, the Company acquired warrants to purchase 2.5 million shares of common stock of a Canadian REIT. The Company designated the warrants as a cash flow hedge of the variability in expected future cash outflows upon purchasing the common stock. The change in fair value of the warrants representing unrealized gains was recorded in OCI. The net unrealized gains, since inception recorded in OCI as of December 31, 2004, were approximately \$12.5 million. The Company exercised its warrants in October of 2004. During 2006, the Company sold 0.53 million shares of common stock of the Canadian REIT (2005: 0.2 million) resulting in a reclassification of \$2.1 million of OCI balance to earnings as Other income, net (2005: \$0.7 million).

The following tables summarize the notional values and fair values of the Company's derivative financial instruments as of December 31, 2006 and 2005:

#### As of December 31, 2006

Hedge Type	Notional Value	Rate	Maturity (in millions USD)	Fair Value
MXP cross currency swap — net investment	<b>MXP 82.4 million</b>	<b>7.227%</b>	<b>10/07</b>	<b>\$ 0.10</b>
Interest rate swaps — cash flow	<b>\$6.25 million — \$21.5 million</b>	<b>6.455% — 6.669%</b>	<b>3/09 — 3/16</b>	<b>(\$0.10)</b>
Interest rate caps — marked to market	<b>\$53.8 million — \$150 million</b>	<b>6.500%</b>	<b>7/09 — 8/08</b>	<b>\$ 0.03</b>

#### As of December 31, 2005

Hedge Type	Notional Value	Rate	Maturity	Fair Value (in millions USD)
Foreign currency forwards — net investment	CAD \$5.2 million	1.4013%	7/06	(\$0.80)
MXP cross currency swap — net investment	MXP 82.4 million	7.227%	10/07	(\$0.20)

As of December 31, 2006 and 2005, respectively, these derivative instruments were reported at their fair value as other liabilities of (\$0.1) million and (\$1.0) million and other assets of \$0.1 million and \$0.0 million. The Company expects to reclassify to earnings less than \$1.0 million of the current OCI balance during the next 12 months.

#### 17. Preferred Stock, Common Stock and Convertible Unit Transactions:

During March 2006, the Company completed a primary public stock offering of 10,000,000 shares of the Company's common stock. The net proceeds from this sale of Common Stock, totaling approximately \$405.5 million (after related transaction costs of \$2.5 million) were primarily used to repay the outstanding balance under the Company's U.S. revolving credit facility, partial repayment of the outstanding balance under the Company's Canadian denominated credit facility and for general corporate purposes.

During March 2006, the shareholders of Atlantic Realty Trust ("Atlantic Realty") approved the proposed merger with the Company and the closing occurred on March 31, 2006. As consideration for this transaction, the Company issued Atlantic Realty shareholders 1,274,420 shares of Common Stock, excluding 748,510 shares of Common Stock that were to be received by the Company, at a price of \$40.41 per share.

On September 25, 2006, Pan Pacific stockholders approved the proposed merger with the Company and the closing occurred on October 31, 2006. Under the terms of the merger agreement, the Company agreed to acquire all of the outstanding shares of Pan Pacific for total merger consideration of \$70.00 per share. As permitted under the merger agreement, the Company elected to issue \$10.00 per share of the total merger consideration in the form of Common Stock. As such, the Company issued 9,185,847 shares of Common Stock valued at \$407.7 million, which was based upon the average closing price of the Common Stock over the ten trading days immediately preceding the closing date.

During 2006, the Company acquired interests in seven shopping center properties located throughout Puerto Rico. The properties were acquired through the issuance of approximately \$158.6 million of non-convertible units, approximately \$45.8 million of convertible units, approximately \$131.2 million of non-recourse debt and \$116.3 million in cash.

The convertible units consist of (i) 2,627 Class B-1 Preferred Units, par value \$10,000 per unit and 640,001 Class C DownREIT Units, valued at an issuance price of \$30.52 per unit. Both the Class B-1 Units and the Class C DownREIT Units are redeemable by the holder at anytime after November 30, 2010 for cash or at the Company's option, shares of the Company's common stock.

The number of shares of Common Stock issued upon conversion of the Class B-1 Preferred Units would be equal to the Class B-1 Cash Redemption Amount, as defined, which ranges from \$6,000 to \$14,000 per Class B-1 Preferred Unit depending on the Common Stock's Adjusted Current Trading Price, as defined, divided by the average daily market price for the 20 consecutive trading days immediately preceding the redemption date.

Prior to January 1, 2009, the number of shares of Common Stock issued upon conversion of the Class C DownREIT Units would be equal to the Class C Cash Amount which equals the number of Class C DownREIT Units being redeemed, multiplied

# Notes to Consolidated Financial Statements *(continued)*

by the Adjusted Current Trading Price, as defined. After January 1, 2009, if the Adjusted Current Trading Price is greater than \$36.62 then the Class C Cash Amount shall be an amount equal to the Adjusted Current Trading Price per Class C DownREIT Unit. If the Adjusted Current Trading Price is greater than \$24.41 but less than \$36.62, then the Class C Cash Amount shall be an amount equal to \$30.51 per Class C DownREIT Unit; or is less than \$24.41, then the Class C Cash Amount shall be an amount per Class C DownREIT Unit equal to the Adjusted Current Trading Price Multiplied by 1.25.

During April 2006, the Company acquired interests in two shopping center properties, located in Bay Shore and Centereach, NY, valued at an aggregate \$61.6 million. The properties were acquired through the issuance of units from a consolidated subsidiary and consist of approximately \$24.2 million of Redeemable Units, which are redeemable at the option of the holder, approximately \$14.0 million of fixed rate Redeemable Units and the assumption of approximately \$23.4 million of non-recourse mortgage debt. The Company has the option to settle the redemption of the \$24.2 million redeemable units with Common Stock, at a ratio of 1:1, or cash.

During June 2006, the Company acquired an interest in an office property, located in Albany, NY, valued at approximately \$39.9 million. The property was acquired through the issuance of approximately \$5.0 million of redeemable units from a consolidated subsidiary, which are redeemable at the option of the holder after one year, and the assumption of approximately \$34.9 million of non-recourse mortgage debt. The Company has the option to settle the redemption with Common Stock, at a ratio of 1:1, or cash.

During June 2003, the Company issued 7,000,000 Depositary Shares (the "Class F Depositary Shares"), each such Class F Depositary Share representing a one-tenth fractional interest of a share of the Company's 6.65% Class F Cumulative Redeemable Preferred Stock, par value \$1.00 per share (the "Class F Preferred Stock"). Dividends on the Class F Depositary Shares are cumulative and payable quarterly in arrears at the rate of 6.65% per annum based on the \$25.00 per share initial offering price, or \$1.6625 per annum. The Class F Depositary Shares are redeemable, in whole or part, for cash on or after June 5, 2008, at the option of the Company, at a redemption price of \$25.00 per Depositary Share, plus any accrued and unpaid dividends thereon. The Class F Depositary Shares are not convertible or exchangeable for any other property or securities of the Company.

**Voting Rights** - As to any matter on which the Class F Preferred Stock, ("Preferred Stock") may vote, including any action by written consent, each share of Preferred Stock shall be entitled to 10 votes, each of which 10 votes may be directed separately by the holder thereof. With respect to each share of Preferred Stock, the holder thereof may designate up to 10 proxies, with each such proxy having the right to vote a whole number of votes (totaling 10 votes per share of Preferred Stock). As a result, each Class F Depositary Share is entitled to one vote.

**Liquidation Rights** - In the event of any liquidation, dissolution or winding up of the affairs of the Company, the Preferred Stock holders are entitled to be paid, out of the assets of the Company legally available for distribution to its stockholders, a liquidation preference of \$250.00 per share (\$25.00 per Class F Depositary Share), plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of the Company's common stock or any other capital stock that ranks junior to the Preferred Stock as to liquidation rights.

During October 2002, the Company acquired an interest in a shopping center property located in Daly City, CA, valued at \$80.0 million, through the issuance of approximately 4.8 million Convertible Units which are convertible at a ratio of 1:1 into the Company's common stock. The unit holder has the right to convert the Convertible Units at any time after one year. In addition, the Company has the right to mandatorily require a conversion after ten years. If at the time of conversion the common stock price for the 20 previous trading days is less than \$16.785 per share, the unit holder would be entitled to additional shares; however, the maximum number of additional shares is limited to 503,932 based upon a floor Common Stock price of \$15.180. The Company has the option to settle the conversion in cash. Dividends on the Convertible Units are paid quarterly at the rate of the Company's common stock dividend multiplied by 1.1057.

## 18. Supplemental Schedule of Non-Cash Investing/Financing Activities:

The following schedule summarizes the non-cash investing and financing activities of the Company for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Acquisition of real estate interests by issuance of Common Stock and/or assumption of debt	\$1,627,058	\$ 73,400	\$151,987
Acquisition of real estate interest by issuance of redeemable units	\$ 247,475	\$ —	\$ 28,349
Disposition/transfer of real estate interest by assignment of downREIT units	\$ —	\$ 4,236	\$ 24,114
Acquisition of real estate interests through proceeds held in escrow	\$ 140,802	\$ —	\$ 69,681
Disposition/transfer of real estate interests by assignment of mortgage debt	\$ 293,254	\$166,108	\$320,120
Proceeds held in escrow through sale of real estate interest	\$ 39,210	\$ 19,217	\$ 9,688
Acquisition of real estate through the issuance of an unsecured obligation	\$ 10,586	\$ —	\$ —
Notes received upon disposition of real estate interests	\$ —	\$ —	\$ 6,277
Declaration of dividends paid in succeeding period	\$ 93,222	\$ 78,169	\$ 71,497
Consolidation of FNC:			
Increase in real estate and other assets	\$ —	\$ 57,812	\$ —
Increase in mortgage payable and other liabilities	\$ —	\$ 57,812	\$ —
Consolidation of Kimsouth:			
Increase in real estate and other assets	\$ 28,377	\$ —	\$ —
Increase in mortgage payable and other liabilities	\$ 28,377	\$ —	\$ —

## 19. Transactions with Related Parties:

The Company, along with its joint venture partner, provided KROP short-term interim financing for all acquisitions by KROP for which a mortgage was not in place at the time of closing. All such financing had maturities of less than one year and bore interest at rates ranging from LIBOR plus 2.0% to LIBOR plus 4.0%. As of December 31, 2006 and 2005, KROP had no outstanding short-term interim financing amounts due to GECRE or the Company. The Company earned approximately \$61,000 and \$24,000 during 2006 and 2005, respectively, related to such interim financing.

During 2006, the Company, along with its joint venture partner, provided Kimco Retail Opportunity Portfolio II ("KROP II") short-term interim financing for all acquisitions by KROP II for which a mortgage was not in place at the time of closing. All such financing had maturities of less than one year and bore interest at a rate of LIBOR plus 2.0%. At December 31, 2006, KROP II had a total of approximately \$22.2 million of outstanding short-term interim financing due to GECRE and the Company, of which the Company's share is 50%. The Company earned approximately \$248,000 during 2006, related to such interim financing.

The Company provides management services for shopping centers owned principally by affiliated entities and various real estate joint ventures in which certain stockholders of the Company have economic interests. Such services are performed pursuant to management agreements which provide for fees based upon a percentage of gross revenues from the properties and other direct costs incurred in connection with management of the centers.

In December 2004, in conjunction with the Price Legacy transaction, the Company, which holds a 15% non-controlling interest, provided the acquiring joint venture approximately \$30.6 million of secured mezzanine financing. This interest-only loan bore interest at a fixed rate of 7.5% per annum payable monthly in arrears and was scheduled to mature in December 2006. The Company also provided PL Retail a secured short-term promissory note for approximately \$8.2 million. This interest only note bore interest at LIBOR plus 4.5% and was scheduled to mature in June 2005. During 2005, this note was amended to bear interest at LIBOR plus 6.0% and is payable on demand. During 2006, PL Retail fully repaid the Company the mezzanine financing and the promissory note.

Reference is made to Note 7 for additional information regarding transactions with related parties.

## 20. Commitments and Contingencies:

The Company and its subsidiaries are primarily engaged in the operation of shopping centers which are either owned or held under long-term leases which expire at various dates through 2087. The Company and its subsidiaries, in turn, lease premises in these centers to tenants pursuant to lease agreements which

provide for terms ranging generally from 5 to 25 years and for annual minimum rentals plus incremental rents based on operating expense levels and tenants' sales volumes. Annual minimum rentals plus incremental rents based on operating expense levels comprised approximately 99% of total revenues from rental property for each of the three years ended December 31, 2006, 2005 and 2004.

The future minimum revenues from rental property under the terms of all non-cancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows (in millions): 2007, \$436.5; 2008, \$401.7; 2009, \$363.5; 2010, \$321.3; 2011, \$276.5 and thereafter, \$1,461.5.

Minimum rental payments under the terms of all non-cancelable operating leases pertaining to the Company's shopping center portfolio for future years are approximately as follows (in millions): 2007, \$14.9; 2008, \$14.8; 2009, \$14.2; 2010, \$12.4; 2011, \$10.1 and thereafter, \$175.8.

During October 2006, the Company completed the Pan Pacific merger, which had a total value of approximately \$4.1 billion. Funding for this transaction was provided by approximately \$1.3 billion of new individual non-recourse mortgage debt encumbering 51 properties, a \$1.2 billion two year credit facility provided by a consortium of banks and guaranteed by the joint venture partners described below and the Company, the issuance of 9,185,847 shares of Common Stock valued at approximately \$407.7 million, which was based upon the average closing price of Common Stock over the ten trading days immediately preceding the closing date, the assumption of approximately \$630.0 million of unsecured bonds and approximately \$289.4 million of existing non-recourse mortgage debt encumbering 23 properties and approximately \$300.0 million in cash. With respect to the \$1.2 billion guarantee by the Company, PREI, as defined below, guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make. The Company evaluated this guarantee in connection with the provisions of FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others and determined that the impact did not have a material effect on the Company's financial position or results of operations.

Immediately following the merger, the Company commenced its joint venture agreements with Prudential Real Estate Investors ("PREI") through three separate accounts managed by PREI. In accordance with the joint venture agreements, all Pan Pacific assets and the respective non-recourse mortgage debt and the \$1.2 billion credit facility mentioned above were transferred to the separate accounts. PREI contributed approximately \$1.1 billion on behalf of institutional investors in three of its portfolios. The Company holds 15% non-controlling ownership interests in each of these joint ventures, collectively KimPru, with a total aggregate investment of approximately \$194.8 million, and will account for these investments under the equity method of accounting. In

# Notes to Consolidated Financial Statements *(continued)*

addition, the Company will manage the portfolios and earn acquisition fees, leasing commissions, property management fees and construction management fees.

During 2006, an entity in which the Company has a preferred equity investment, located in Montreal, Canada, obtained a non-recourse construction loan, which is collateralized by the respective land and project improvements. Additionally, the Company has provided a guaranty to the lender and the developer partner has provided an indemnity to the Company for 25% of all debt. As of December 31, 2006, there was CAD \$40.0 million (approximately USD \$35.8 million) outstanding on this construction loan.

Additionally, during 2006, KROP obtained a one-year \$15.0 million unsecured term loan, which bears interest at LIBOR plus 0.5%. This loan is guaranteed by the Company and GECRE has guaranteed reimbursement to the Company of 80% of any guaranty payment the Company is obligated to make.

The Company has issued letters of credit in connection with completion and repayment guarantees for construction loans encumbering certain of the Company's ground-up development projects and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$34.9 million.

In connection with the construction of its development projects and related infrastructure, certain public agencies require performance and surety bonds be posted to guarantee that the Company's obligations are satisfied. These bonds expire upon the completion of the improvements and infrastructure. As of December 31, 2006, there were approximately \$92.5 million bonds outstanding.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$7.0 million (approximately USD \$6.0 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD \$3.9 million (approximately USD \$3.4 million) outstanding as of December 31, 2006, relating to various development projects.

During 2005, a joint venture entity in which the Company has a non-controlling interest obtained a CAD \$22.5 million (approximately USD \$19.3 million) credit facility to finance the construction of a 0.1 million square foot shopping center located in Kamloops, B.C. This facility bears interest at the Canadian Prime Rate plus 0.5% per annum and is scheduled to mature in May 2007. The Company and its partner in this entity each have a limited and several guarantee of CAD \$7.5 million (approximately USD \$6.4 million) related to this facility. As of December 31, 2006, there was CAD \$21.0 million (approximately USD \$18.0 million) outstanding on this facility.

Additionally, during 2005, the Company acquired three operating properties and one land parcel, through joint ventures in which the Company holds 50% non-controlling interests. Subsequent to these acquisitions, the joint ventures obtained four one year term loans aggregating \$20.4 million with interest rates

ranging from LIBOR plus 0.50% to LIBOR plus 0.55%. During 2006, these term loans were extended for an additional year. These loans are jointly and severally guaranteed by the Company and the joint venture partner.

During 2005, PL Retail entered into a \$39.5 million unsecured revolving credit facility, which bears interest at LIBOR plus 0.675% and was scheduled to mature in February 2007. During 2007, the loan was extended to February 2008 at a reduced rate of LIBOR plus 0.45%. This facility is guaranteed by the Company and the joint venture partner has guaranteed reimbursement to the Company of 85% of any guaranty payment the Company is obligated to make. As of December 31, 2006, there was \$39.5 million outstanding under this facility.

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

## 21. Incentive Plans:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum of 42,000,000 shares of the Company's common stock may be issued for qualified and non-qualified options. Options granted under the Plan generally vest ratably over a three or five-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board at its sole discretion. In addition, the Plan provides for the granting of certain options to each of the Company's non-employee directors (the "Independent Directors") and permits such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

During December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), which is a revision of Statement 123. SFAS No. 123(R) supersedes Opinion 25. Generally, the approach in SFAS No. 123(R) is similar to the approach described in Statement 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro-forma disclosure is no longer an alternative under SFAS No. 123(R). SFAS No. 123(R) is effective for fiscal years beginning after December 31, 2005. The Company began expensing stock based employee compensation with its adoption of the prospective method provisions of SFAS No. 148, effective January 1, 2003, as a result, the adoption of SFAS No. 123(R) did not have a material impact on the Company's financial position or results of operations.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing formula. The more significant assumptions underlying the determination of such fair

values for options granted during 2006, 2005 and 2004 were as follows:

Year Ended December 31,	2006	2005	2004
Weighted average fair value of options granted	\$ 5.55	\$ 3.21	\$ 2.14
Weighted average risk-free interest rates	4.72%	4.03%	3.30%
Weighted average expected option lives (in years)	6.50	4.80	3.72
Weighted average expected volatility	17.70%	18.01%	16.69%
Weighted average expected dividend yield	4.39%	5.30%	5.59%

Information with respect to stock options under the Plan for the years ended December 31, 2006, 2005 and 2004, is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Options outstanding, January 1, 2004	15,111,610	\$ 15.62
Exercised	(3,379,748)	\$ 13.63
Granted	3,887,500	\$ 27.72
Forfeited	(379,790)	\$ 19.25
Options outstanding, December 31, 2004	15,239,572	\$ 19.06
Exercised	(2,963,910)	\$ 14.23
Granted	2,515,200	\$ 31.15
Forfeited	(239,566)	\$ 23.59
Options outstanding, December 31, 2005	14,551,296	\$ 22.06
Exercised	(2,196,947)	\$ 17.80
Granted	2,805,650	\$ 39.91
Forfeited	(366,406)	\$ 28.13
<b>Options outstanding, December 31, 2006</b>	<b>14,793,593</b>	<b>\$ 25.93</b>
Options exercisable —		
December 31, 2004	8,135,762	\$ 14.95
December 31, 2005	8,167,681	\$ 17.63
<b>December 31, 2006</b>	<b>8,826,881</b>	<b>\$ 20.37</b>

The exercise prices for options outstanding as of December 31, 2006, range from \$9.46 to \$46.88 per share. The weighted-average remaining contractual life for options outstanding as of December 31, 2006, was approximately 7.3 years. Options to purchase 5,969,396, 3,817,066, and 6,332,266 shares of the Company's common stock were available for issuance under the Plan at December 31, 2006, 2005 and 2004, respectively.

Cash received from options exercised under the Plan was approximately \$39.1 million, \$42.2 million and \$46.1 million for the years ended December 31, 2006, 2005, and 2004, respectively. The total intrinsic value of options exercised during 2006, 2005 and 2004 was approximately \$42.2 million, \$46.2 million, and \$36.2 million, respectively.

The Company recognized stock options expense of \$10.2 million, \$4.6 million and \$1.7 million for the years ended December 31, 2006, 2005, and 2004, respectively. As of December 31, 2006, the Company had \$25.6 million of total unrecognized compensation cost related to unvested stock compensation granted under the Company's Plan. That cost is expected to be recognized over a weighted average period of approximately 2.7 years.

The Company maintains a 401(k) retirement plan covering substantially all officers and employees, which permits participants to defer up to the maximum allowable amount determined by the Internal Revenue Service of their eligible compensation. This deferred compensation, together with Company matching contributions, which generally equal employee deferrals up to a maximum of 5% of their eligible compensation (capped at \$170,000), is fully vested and funded as of December 31, 2006. The Company contributions to the plan were approximately \$1.3 million, \$1.1 million and \$1.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.

## 22. Income Taxes:

The Company elected to qualify as a REIT in accordance with the Code commencing with its taxable year which began January 1, 1992. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted REIT taxable income to its stockholders. It is management's intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes.

# Notes to Consolidated Financial Statements *(continued)*

## Reconciliation between GAAP Net Income and Federal Taxable Income:

The following table reconciles GAAP net income to taxable income for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	2006 (Estimates)	2005 (Actual)	2004 (Actual)
GAAP net income	\$ 427,000	\$363,628	\$297,137
Less: GAAP net income of taxable REIT subsidiaries	(33,795)	(21,666)	(19,396)
GAAP net income from REIT operations (a)	393,205	341,962	277,741
Net book depreciation in excess of tax depreciation	22,563	9,865	4,716
Deferred/prepaid/above and below market rents, net	(15,438)	(7,398)	(7,200)
Exercise of non-qualified stock options	(21,994)	(29,144)	(28,022)
Book/tax differences from investments in real estate joint ventures	(8,586)	(19,048)	(6,350)
Book/tax difference on sale of property	(50,164)	(14,181)	(18,799)
Valuation adjustment of foreign currency contracts	142	2,537	(21,697)
Book adjustment of property carrying values	650	—	7,116
Other book/tax differences, net	(11,586)	6,773	8,419
Adjusted taxable income subject to 90% dividend requirements	\$ 308,792	\$291,366	\$215,924

Certain amounts in the prior periods have been reclassified to conform to the current year presentation.  
(a) - All adjustments to "GAAP net income from REIT operations" are net of amounts attributable to minority interest and taxable REIT subsidiaries.

## Reconciliation between Cash Dividends Paid and Dividends Paid Deductions (in thousands):

For the years ended December 31, 2006 and 2004 cash dividends paid exceeded the dividends paid deduction and amounted to \$333,111 and \$265,254, respectively. For the year ended December 31, 2005, cash dividends paid were equal to the dividend paid deduction and amounted to \$293,345.

## Characterization of Distributions:

The following characterizes distributions paid for the years ended December 31, 2006, 2005 and 2004, (in thousands):

	2006	2005	2004
Preferred Dividends			
Ordinary income	\$ 8,200 70%	\$ 10,009 86%	\$ 11,638 100%
Capital gain	3,438 30%	1,629 14%	— —
	\$ 11,638 100%	\$ 11,638 100%	\$ 11,638 100%
Common Dividends			
Ordinary income	\$ 211,803 66%	\$242,268 86%	\$210,501 83%
Capital gain	89,856 28%	39,439 14%	— —
Return of capital	19,255 6%	— —	43,115 17%
	\$ 320,914 100%	\$281,707 100%	\$253,616 100%
Total dividends distributed	\$ 332,552	\$293,345	\$265,254

## Taxable REIT Subsidiaries ("TRS"):

The Company is subject to federal, state and local income taxes on the income from its TRS activities, which include Kimco Realty Services ("KRS"), a wholly owned subsidiary of the Company, and the consolidated entities of FNC, Kimsouth and Blue Ridge Real Estate Company/Big Boulder Corporation.

Income taxes have been provided for on the asset and liability method as required by SFAS No. 109, Accounting for Income Taxes. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

The Company's taxable income for book purposes and provision for income taxes relating to the Company's TRS and taxable entities which have been consolidated for accounting reporting purposes, for the years ended December 31, 2006, 2005 and 2004, are summarized as follows (in thousands):

	2006	2005	2004
Income before income taxes	\$ 54,522	\$32,920	\$27,716
Less provision for income taxes:			
Federal	17,581	9,446	6,939
State and local	3,146	1,808	1,381
Total tax provision	20,727	11,254	8,320
GAAP net income from taxable REIT subsidiaries	\$ 33,795	\$21,666	\$19,396

The Company's deferred tax assets and liabilities at December 31, 2006 and 2005, were as follows (in millions):

	2006	2005
Deferred tax assets:		
Operating losses	\$ 97.3	\$ 59.4
Other	17.3	16.3
Valuation allowance	(68.0)	(33.8)
Total deferred tax assets	46.6	41.9
Deferred tax liabilities	(8.6)	(12.8)
Net deferred tax assets	\$ 38.0	\$ 29.1

Deferred tax assets and deferred tax liabilities are included in the caption Other assets and Other liabilities on the accompanying Consolidated Balance Sheets at December 31, 2006 and 2005. Operating losses and the valuation allowance are due to the Company's consolidation of FNC and Kimsouth for accounting and reporting purposes. At December 31, 2006, FNC had approximately \$138.4 million of net operating loss carry forwards that expire from 2022 through 2025, with a tax value of approximately \$54.0 million. A valuation allowance of \$33.8 million has been established for a portion of these deferred tax assets. At December 31, 2006, Kimsouth had approximately \$111.1 million of net operating loss carrying forwards that expire from 2021 to 2023, with a tax value of approximately \$43.3 million. A valuation allowance for \$34.2 million has been established for a portion of these deferred tax assets. Other deferred tax assets and deferred tax liabilities relate primarily to differences in the timing of the recognition of income/(loss) between the GAAP and tax basis of accounting for (i) real estate joint ventures, (ii) other real estate investments and (iii) other deductible temporary differences. The Company believes that, based on its operating strategy and consistent history of profitability, it is more likely than not that the net deferred tax assets of \$38.0 million will be realized on future tax returns, primarily from the generation of future taxable income.

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to taxable income before income taxes as follows (in thousands):

	2006	2005	2004
Federal provision at statutory tax rate (35%)	<b>\$ 19,083</b>	\$ 11,522	\$ 9,700
State and local taxes, net of federal benefit	<b>3,544</b>	2,140	1,801
Other	<b>(1,900)</b>	(2,408)	(3,181)
	<b>\$ 20,727</b>	\$ 11,254	\$ 8,320

### 23. Supplemental Financial Information:

The following represents the results of operations, expressed in thousands except per share amounts, for each quarter during the years 2006 and 2005:

	2006 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property(1)	<b>\$ 138,107</b>	<b>\$ 147,847</b>	<b>\$ 150,673</b>	<b>\$ 157,253</b>
Net income	<b>\$ 96,195</b>	<b>\$ 108,738</b>	<b>\$ 91,427</b>	<b>\$ 131,899</b>
Net income per common share:				
Basic	<b>\$ .41</b>	<b>\$ .44</b>	<b>\$ .37</b>	<b>\$ .52</b>
Diluted	<b>\$ .40</b>	<b>\$ .43</b>	<b>\$ .36</b>	<b>\$ .51</b>

	2005 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property(1)	\$ 124,916	\$ 122,443	\$ 125,803	\$ 132,396
Net income	\$ 86,780	\$ 83,837	\$ 85,343	\$ 107,668
Net income per common share:				
Basic	\$ .37	\$ .36	\$ .36	\$ .46
Diluted	\$ .37	\$ .35	\$ .36	\$ .44

(1) All periods have been adjusted to reflect the impact of operating properties sold during 2006 and 2005 and properties classified as held for sale as of December 31, 2006, which are reflected in the caption Discontinued operations on the accompanying Consolidated Statements of Income.

Accounts and notes receivable in the accompanying Consolidated Balance Sheets net of estimated unrecoverable amounts, were approximately \$8.5 million at December 31, 2006 and 2005.

### 24. Pro Forma Financial Information (Unaudited):

As discussed in Notes 3, 4 and 5, the Company and certain of its subsidiaries acquired and disposed of interests in certain operating properties during 2006. The pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for the years ended December 31, 2006 and 2005, adjusted to give effect to these transactions at the beginning of each year.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred at the beginning of each year, nor does it purport to represent the results of operations for future periods. (Amounts presented in millions, except per share figures.)

Year ended December 31,	2006	2005
Revenues from rental property	<b>\$ 630.5</b>	\$ 601.0
Net income	<b>\$ 316.1</b>	\$ 247.6
Net income per common share:		
Basic	<b>\$ 1.27</b>	\$ 1.04
Diluted	<b>\$ 1.24</b>	\$ 1.02

# Glossary of Terms

## Asset Designation Rights

Rights to assign, sell, transfer or reject a bankrupt estate's title and interest in leased or owned properties. Kimco acquired asset designation rights from the former Montgomery Ward stores in 2001 and the former Hechinger stores in 1999.

## Core-Based Statistical Areas (CBSAs)

Metropolitan and Micropolitan Statistical Areas are collectively referred to as Core-Based Statistical Areas. Metropolitan statistical areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. Micropolitan statistical areas are a new set of statistical areas that have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

## Debt Service

The periodic payment of principle and interest on unsecured bonds, mortgages or other borrowings.

## Debtor in Possession (DIP)

A company that continues to operate while going through Chapter 11 bankruptcy proceedings.

## Fee Simple Ownership Real Estate (Fee)

Fee ownership of real estate is a fee without limitation or restrictions on transfer of ownership.

## Fixed Charges

Payment of debt service plus preferred stock dividend payments and ground lease payments.

## Funds From Operations (FFO)

A supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies. Equal to a REIT's net income, excluding gains from sales of property, and adding back real estate depreciation.

## Gross Leasable Area (GLA)

Measure of the total amount of leasable space in a commercial property.

## Internal Growth

The maximum rate of growth a given company is able to achieve without funding additional investment.

## Leasehold Interest in Real Estate

Financial interest in real estate evidenced by a contract (lease) whereby one receives the use of real estate or facilities for a specified term and for a specified rent.

## Lease Rejection

Bankruptcy rules permit a tenant in bankruptcy to eliminate its obligations to pay rent under a lease subject to certain payments to landlords for damages.

## Non-Recourse Mortgage Debt

Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage.

## 1031 Exchange

A 1031 exchange allows sellers to defer 100% of the federal and state capital gains taxes associated with the sale of property held for investment purposes. Kimco facilitates exchanges by matching buyers of exchange properties with sellers of investment properties or by selling properties from its portfolio of net leased properties to exchange buyers.

## Payout Ratio

The ratio of a REIT's annual dividend rate to its FFO on a basic per share basis.

## Real Estate Investment Trust (REIT)

A REIT is a company dedicated to owning and, in most cases, operating income-producing real estate, such as shopping centers, offices and warehouses. Some REITs also engage in financing real estate.

## REIT Modernization Act of 1999

Federal tax law change, the provisions of which allow a REIT to own up to 100% of stock of a taxable REIT subsidiary that can provide services to REIT tenants and others. The law also changed the minimum distribution requirement from 95% to 90% of a REIT's taxable income—consistent with the rules for REITs from 1960 to 1980.

## Stock Split

Occurred on December 22, 1995, December 21, 2001, and August 24, 2005, when Kimco issued new shares of stock at a rate of 0.5, 0.5, and 1.0, respectively for each share owned by shareholders of record in the form of a stock dividend. This action in turn lowered the market price of Kimco stock to a level proportionate to the pre-split price.

## Taxable REIT Subsidiary (TRS)

Created by the REIT Modernization Act of 1999. A TRS is a subsidiary of a REIT that may provide services to the REIT's tenants and others and is required to pay federal income tax without disqualifying the Company's REIT status.

## Total Market Capitalization

The total market value of outstanding common stock, the liquidation value of preferred stock and all outstanding indebtedness.

## Total Return

A stock's dividend income plus capital appreciation, before taxes and commissions.

# Board of Directors

## **Martin S. Kimmel**

Chairman (Emeritus) of the Board of Directors of the Company since November 1991. Chairman of the Board of Directors of the Company for more than five years prior to the Company's IPO. Founding member of the Company's predecessor in 1966.

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## **Milton Cooper**

Chairman of the Board of Directors of the Company since November 1991. Founding member of the Company's predecessor in 1966. Mr. Cooper is also a director of Getty Realty Corporation and Blue Ridge Real Estate/Big Boulder Corporation and a former trustee of MassMutual Corporate Investors and MassMutual Participation Investors.

## **Michael J. Flynn**

Vice Chairman of the Board of Directors of the Company since January 1996 and, since January 1997, President and Chief Operating Officer; Director of the Company since December 1991. Chairman of the Board and President of Slattery Associates, Inc. for more than five years prior to joining the Company in 1996. Mr. Flynn is also Chairman of the Board of Directors of Blue Ridge Real Estate/Big Boulder Corporation.

## **David B. Henry**

Vice Chairman of the Board of Directors since May 2001 and Chief Investment Officer of the Company. Mr. Henry joined Kimco Realty Corporation after 23 years at General Electric, where he was Chief Investment Officer and Senior Vice President of GE Capital Real Estate and Chairman of GE Capital Investment Advisors.

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## **Richard G. Dooley**

Director of the Company since December 1991. From 1993 to 2003, consultant to, and from 1978 to 1993, Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company.

## **Joe Grills**

Director of the Company since January 1997. Chief Investment Officer for the IBM Retirement Funds from 1986 to 1993. Mr. Grills is also a Director and Co-Chairman of the Board of certain BlackRock Mutual Funds and Director Emeritus of Duke University Management Company.

## **F. Patrick Hughes**

Mr. Hughes has been a director since September 2003. Mr. Hughes previously served as CEO, President and Trustee of Mid-Atlantic Realty Trust since its formation in 1993. Mr. Hughes is the former President, Chief Operating Officer and Director of BTR Realty, Inc., having served in such capacity from 1990 to 1993. Mr. Hughes served as CFO and Senior Vice President from 1974 until 1990.

## **Frank Lourenso**

Director of the Company since December 1991. Executive Vice President of J.P. Morgan Chase & Co. since 1990. Senior Vice President of J.P. Morgan Chase for more than five years prior to that time.

## **Richard B. Saltzman**

Elected to the Board of Directors in July 2003. Mr. Saltzman is President of Colony Capital LLC, an international real estate investment management firm. Prior to joining Colony, Mr. Saltzman spent 24 years in the investment banking business, primarily specializing in real estate-related businesses and investments. Most recently, he was a Managing Director and Vice Chairman of Merrill Lynch's investment banking division. As a member of the investment banking operating committee, he oversaw the firm's global real estate, hospitality and restaurant businesses.

# Corporate Directory

## Executive Officers

Milton Cooper  
*Chairman and  
Chief Executive Officer*

Michael J. Flynn  
*Vice Chairman, President  
and Chief Operating Officer*

David B. Henry  
*Vice Chairman and  
Chief Investment Officer*

Michael V. Pappagallo  
*Executive Vice President and  
Chief Financial Officer*

Thomas A. Caputo  
*Executive Vice President*

Glenn G. Cohen  
*Vice President and Treasurer*

Raymond Edwards  
*Vice President*

Jerald Friedman  
*Executive Vice President*

Bruce M. Kauderer  
*Vice President, Legal  
General Counsel and  
Secretary*

## Senior Management

Antonio Acevedo  
*Vice President, Kimco Realty  
Corporation Subsidiaries  
Puerto Rico*

Edward Boomer  
*Managing Director,  
Canada*

William Brown  
*Vice President, Kimco Realty  
Corporation Subsidiaries*

JoAnn Carpenter  
*Vice President*

Ralph Conti  
*Vice President, Kimco  
Developers, Inc.*

Joseph V. Denis  
*Vice President,  
Construction*

Paul Dooley  
*Vice President*

Richard Elwood  
*Vice President, KRC Mexico  
Acquisition Corporation*

Fredrick Kurz  
*Managing Director*

Steven Reisinger  
*Vice President, KRC Mexico  
Acquisition Corporation*

Joe Stevens  
*Vice President, Kimsouth  
Realty, Inc.*

Seth Layton  
*Executive Vice President,  
Florida Region*

David Lukes  
*Executive Vice President*

Ruth Mitteldorf  
*Vice President, Kimco  
Developers, Inc.*

Barbara Pooley  
*Vice President, Investor  
Relations*

Robert D. Nadler  
*President, Central Region*

Howard Overton  
*Executive Vice President,  
Western Region*

Scott Onufrey  
*Vice President,  
Investment Management*

Julio Ramon  
*Director of Finance,  
Joint Ventures*

Bruce Rubenstein  
*Vice President,  
Legal Operations*

Michael Schindler  
*Vice President,  
Tax Planning & Strategy*

Edward Senenman  
*Vice President, Acquisitions*

Tom Simmons  
*President, Mid-Atlantic  
Region*

Daniel Slattery  
*Executive Vice President,  
Kimco Developers, Inc.*

Thomas Taddeo  
*Vice President,  
Chief Information Officer*

John Visconsi  
*Senior Vice President,  
Western Region*

Paul Weinberg  
*Vice President, Human  
Resources*

Joshua Weinkranz  
*Vice President, Northeast  
Region*

Paul Westbrook  
*Director of Accounting*

Joel Yarmak  
*Vice President, Financial  
Operations*

## Executive Offices

3333 New Hyde Park Road  
Suite 100  
New Hyde Park, NY 11042  
516-869-9000  
www.kimcorealty.com

## Regional Offices

### *Leasing*

Mesa, AZ

480-890-1600

Irvine, CA

949-252-3880

Sacramento, CA

916-349-7474

Vista, CA

760-727-1002

Walnut Creek, CA

925-977-9011

Hartford, CT

860-561-0545

Hollywood, FL

954-923-8330

Largo, FL

727-536-3287

Margate, FL

954-977-7340

Sanford, FL

407-302-4400

Rosemont, IL

847-299-1160

Columbia, MD

443-367-0110

Lutherville, MD

410-684-2000

Charlotte, NC

704-367-0131

Cary, NC

919-859-7499

New York, NY

212-972-7456

White Plains, NY

914-301-9403

Canfield, OH

330-702-8000

Dayton, OH

937-434-5421

Dallas, TX

214-692-3581

Houston, TX

832-242-6913

Woodbridge, VA

703-583-0071

Bellevue, WA

423-373-3500

### *Development*

Los Angeles, CA

310-284-6000

Lisle, IL

630-322-9200

### **Canada**

Toronto, ON

416-593-6622

### **Mexico**

Selma, TX

210-566-7610

### **Puerto Rico**

Caguas, PR

787-767-5410

# Corporate Directory

## Counsel

Latham & Watkins  
New York, NY

## Auditors

PricewaterhouseCoopers LLP  
New York, NY

## Registrar and Transfer Agent

The Bank of New York  
Shareholder Relations Department  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
1-866-557-8695  
Website: [www.stockbny.com](http://www.stockbny.com)  
Email: [Shareowners@bankofny.com](mailto:Shareowners@bankofny.com)

## Stock Listings

NYSE—Symbols KIM, KIMprF

On June 14, 2006, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification required by Section 303A.12(a) of the NYSE Company Manual. In addition, the Company has filed with the Securities and Exchange Commission as exhibits to its Form 10-K for the fiscal year ended December 31, 2006, the certifications, required pursuant to Section 302 of the Sarbanes-Oxley Act, of its Chief Executive Officer and Chief Financial Officer relating to the quality of its public disclosure.

## Investor Relations

A copy of the Company's Annual Report to the U.S. Securities and Exchange Commission on Form 10-K may be obtained at no cost to stockholders by writing to:

Barbara Pooley  
Vice President  
Kimco Realty Corporation  
3333 New Hyde Park Road, Suite 100  
New Hyde Park, NY 11042  
516-869-7288  
E-mail: [ir@kimcorealty.com](mailto:ir@kimcorealty.com)

## Annual Meeting of Stockholders

Stockholders of Kimco Realty Corporation are cordially invited to attend the 2007 Annual Meeting of Stockholders scheduled to be held on May 17, 2007, at 270 Park Avenue, New York, NY, Floor 11, at 10:00 a.m.

## Dividend Reinvestment and Common Stock Purchase Plan

The Company's Dividend Reinvestment and Common Stock Purchase Plan provides common and preferred stockholders with an opportunity to conveniently and economically acquire Kimco common stock. Stockholders may have their dividends automatically directed to our transfer agent to purchase common shares without paying any brokerage commissions. Requests for booklets describing the Plan, enrollment forms and any correspondence or questions regarding the Plan should be directed to:

The Bank of New York  
Kimco Realty Corporation  
P.O. Box 1958  
Newark, NJ 07101-9774  
1-866-557-8695

## Holders of Record

Holders of record of the Company's common stock, par value \$.01 per share, totaled 3,507 as of March 23, 2007.

## Stock Price and Dividend Information

	Stock Price		Dividends Paid Per Common Share
	High	Low	
2006:			
First Quarter	\$42.00	\$32.02	\$0.330
Second Quarter	\$40.57	\$34.20	\$0.330
Third Quarter	\$43.15	\$36.18	\$0.360
Fourth Quarter	\$47.13	\$42.13	\$0.360(a)
2005:			
First Quarter	\$29.09	\$25.90	\$0.305
Second Quarter	\$30.00	\$26.17	\$0.305
Third Quarter	\$33.35	\$29.19	\$0.330
Fourth Quarter	\$33.21	\$27.81	\$0.330(b)

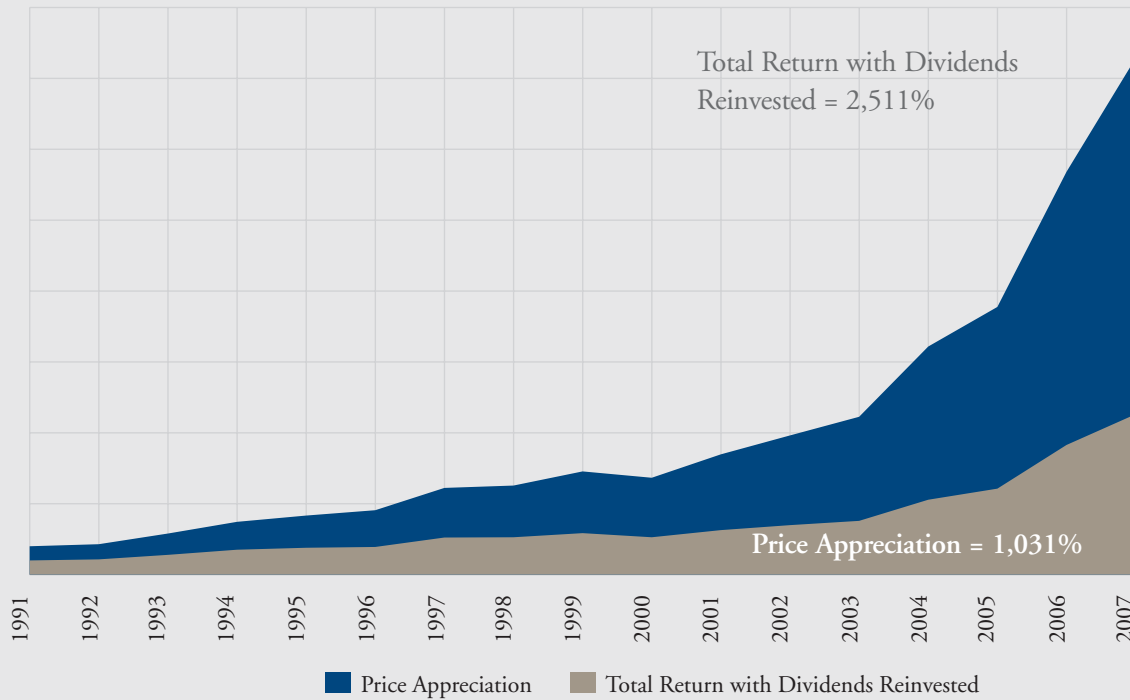
(a) Paid on January 16, 2007, to stockholders of record on January 2, 2007.

(b) Paid on January 17, 2006, to stockholders of record on January 3, 2006.



# Direct Stock Purchase and Dividend Reinvestment Plan

Experience the Power of Dividend Reinvestment (November 1991 to February 2007)



Indexed TRA (November 1991)

Source: Bloomberg and Ilios Partners

## KIMCO INVESTOR VIDEO PRESENTATION

To hear directly from Kimco's management team, visit [www.kimcorealty.com](http://www.kimcorealty.com) to see Kimco's Investor Day 2006 video or call 516.869.7288 for a free copy.

Call today to learn how to reinvest your dividend or purchase shares directly from Kimco.

# 1.866.557.8695

The Company's Direct Stock Purchase and Dividend Reinvestment Plan provides investors with the following advantages:

- a low-cost method to acquire Kimco common stock
- an efficient way to reinvest dividends in Kimco stock to acquire additional shares without a brokerage commission
- account credited with both full and fractional shares
- simplified record-keeping with easy-to-read account statements

Simply call the number listed above to enroll today.

# Kimco Realty Corporation

3333 New Hyde Park Road, Suite 100  
New Hyde Park, NY 11042  
Tel: 516-869-9000 Fax: 516-869-9001  
[www.kimcorealty.com](http://www.kimcorealty.com)